MOSERS

Missouri State Employees' Retirement System

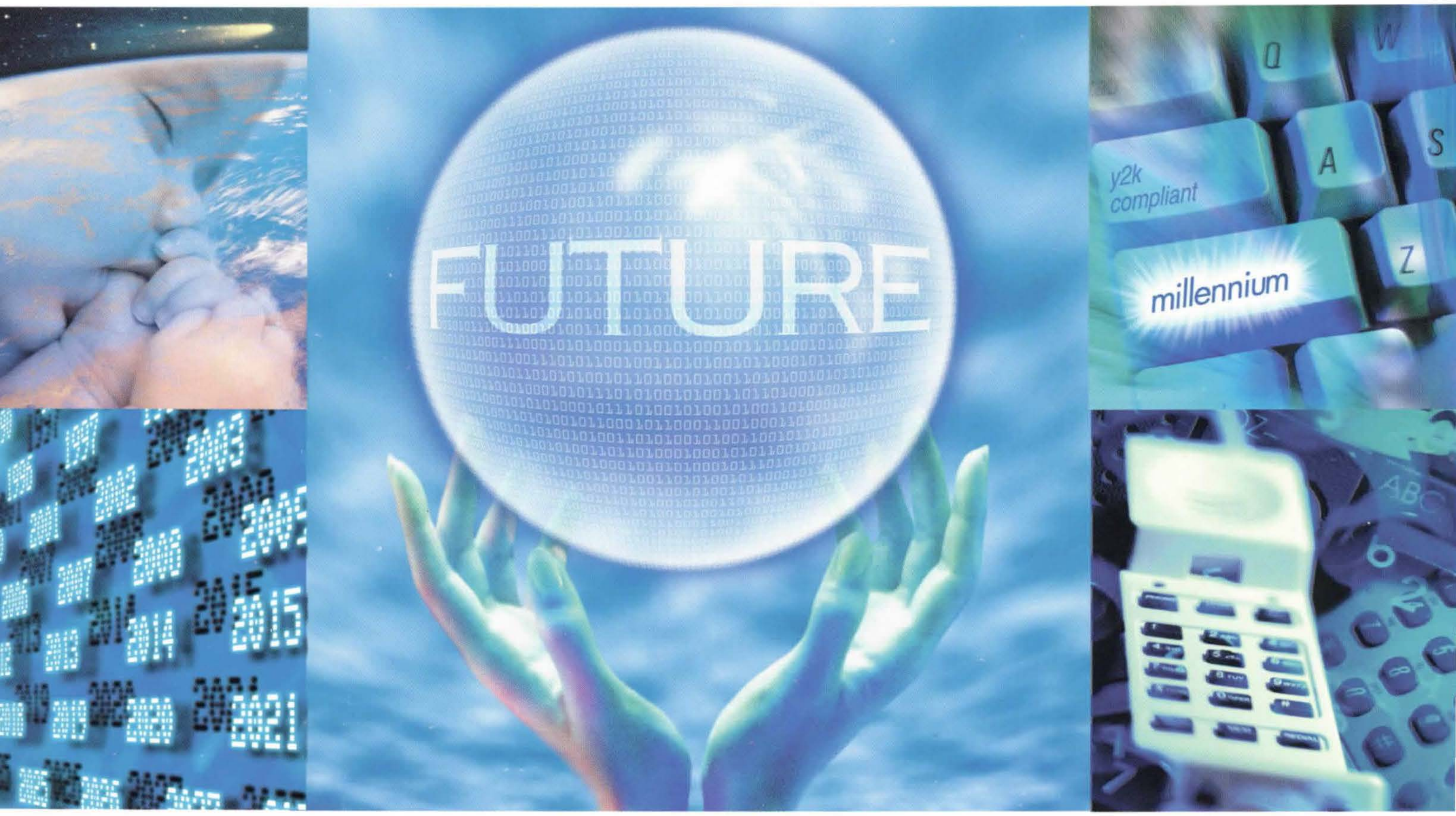
A Component Unit of the State of Missouri

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 1999

Gary Findlay
Executive Director

Gary Irwin
Chief Finance Officer



Missouri State Employees' Retirement System

A Component Unit of the State of Missouri

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Fiscal Year Ended June 30, 1999

907 Wildwood Drive, P.O. Box 209
Jefferson City, Missouri 65102
(573) 632-6100 or (800) 827-1063

Table of Contents

* Missouri State Employees' Plan
** Administrative Law Judges' and Legal Advisors' Plan

Introductory Section

VISION

Seeing Things as They Will Be


Certificate of Achievement for Excellence in Financial Reporting
Presented to
Missouri State Employees' Retirement System
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1998
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.
Douglas R. Ellsworth
President
Jeffrey L. Esser
Executive Director

MOSERS

Gary Findlay
Executive Director

September 13, 1999

The Board of Trustees
Missouri State Employees' Retirement System
907 Wildwood Drive
Jefferson City, MO 65109

Dear Board Members:

It is with great pleasure that I submit this year's annual report of the Missouri State Employees' Retirement System (MOSERS). This was a landmark year for MOSERS in that recommendations by the Governor's Commission on Management and Productivity, the Ad Hoc Task Force on Total Compensation, and the Public Safety Retirement Advisory Commission culminated in legislative approval of the Missouri State Employees' Plan 2000 (MSEP 2000). In addition, system assets, for the first time, exceeded the $5 billion mark during the year. All told, it was a very good year for the system and for the members who rely on us for part of their future financial security.

Report Contents and Structure

MOSERS is considered a component unit of the state of Missouri for financial reporting purposes and, as such, the financial statements contained in this report are also included in the State of Missouri Comprehensive Annual Financial Report. The financial information presented in this report is the responsibility of the management of MOSERS, and sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules, and statistical tables. The report is also designed to comply with the reporting requirements of Sections 104.480 and 105.661 of the Revised Statutes of Missouri (RSMo) as amended. The report is divided into the following five sections:

- The Introductory Section which contains general information regarding the operations of MOSERS;
- The Financial Section which contains the financial statements, schedules, and supplementary financial information regarding the funds administered by MOSERS;
- The Investment Section which contains information pertaining to the management of the investments of the pension trust funds;
- The Actuarial Section which contains information regarding the financial condition and financial position of the retirement plans administered by the system; and
- The Statistical Section which contains general statistical information regarding system participants and finances.

Missouri State Employees' Retirement System
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www.mosers.org

Summary of Financial Information

The following schedule presents the pension trust funds' additions and deductions for the years ended June 30, 1999, and June 30, 1998.

	June 30, 1999	June 30, 1998
Additions	$ 724,056,101	$ 828,270,884
Deductions	(174,059,103)	(165,904,834)
Net Increase	$ 549,996,998	$ 662,366,050

The additions decreased by $104,214,783, primarily as the result of a decrease in the net appreciation in the fair value of the investments of $168,765,323; an increase in dividend income of $11,399,093; and an increase in contributions of $52,549,030. The deductions increased by $8,154,269, primarily as the result of an increase in benefit payments of $15,318,373 and a decrease in one-time, benefit adjustment payments of $8,413,812.

The following schedule presents a summary of the revenues and expenses of the Internal Service Fund (insurance activity) for the years ended June 30, 1999, and June 30, 1998.

	June 30, 1999	June 30, 1998
Operating revenues	$ 19,387,209	$ 17,143,618
Operating expenses	(19,570,136)	(17,190,990)
Nonoperating revenues	55,323	58,889
Net revenues over (under) expenses	$ (127,604)	$ 11,517

Operating revenues increased by $2,243,591, primarily as the result of an increase of $2,222,392 in premium receipts. Operating expenses increased by $2,379,146, primarily as the result of an increase of $2,223,700 in premium disbursements and an increase of $151,754 in administrative expenses. Nonoperating revenues decreased by $3,566, as the result of decreased investment income.

Plan Financial Condition

The funding objective of MOSERS' pension trust funds is to meet long-term, benefit promises through contributions which remain approximately level as a percent of member payroll over decades of time. Historical information relating to progress in meeting this objective is presented on pages 30-33. During the year ended June 30, 1999, the funded ratio of the Missouri State Employees' Plan, which covers 84,369 participants, increased from 85.6 percent to 89.2 percent, primarily as the result of favorable investment returns. The funded ratio of the Administrative Law Judges' and Legal Advisors' Plan, which covers 89 participants, decreased from 79.8 percent to 79.6 percent, primarily as the result of an increase in participants in the plan offset by favorable investment returns. Funding of the Judicial Plan, which covers 789 participants, began on July 1, 1998, and resulted in a funded ratio of 2.7 percent for the year ended June 30, 1999. Additional information regarding the financial condition of the pension trust funds can be found in the actuarial section of this report.

Investment Activity

During the year ended June 30, 1999, MOSERS' pension trust fund investments produced a total return of 10.9 percent net of expenses. For the five years ended June 30, 1999, the investments generated an annualized rate of return of approximately 16.3 percent net of expenses, which is better than 75 percent of our peer group included in the Independent Consultant's Cooperative universe.

Legislation Enacted During the 1999 Legislative Session

On July 10, 1999, Governor Mel Carnahan signed into law Senate Bill 308 & 314 which created a new retirement plan, commonly referred to as the Missouri State Employees' Plan 2000 (MSEP 2000), to be provided to eligible state employees and retirees, and also modified several provisions in the current Missouri State Employees' Plan (MSEP). All eligible employees hired after July 1, 2000, will automatically be covered under MSEP 2000, while active, terminated-vested, and retired members will be given the option to participate in the MSEP 2000 or remain in the MSEP. These provisions are described in more detail on pages 87-89 of this report.

Y2K

A significant amount of press coverage has been devoted to the "Y2K bug" issue. The Y2K problem is the result of shortcomings in electronic data processing systems and other electronic equipment due to the use of two digits to represent the year, which may adversely affect an entity's operations as of January 1, 2000. MOSERS' management recognized the impact this would have on our operations in the early 1990s and began working to address this issue. Further information regarding MOSERS' preparations can be found on pages 34-35.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MOSERS for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 1998. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR conforming to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. MOSERS has received a Certificate of Achievement for the last ten consecutive years (fiscal years ended 1989-1998). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for evaluation.

Conclusion

This report is a product of the combined efforts of the MOSERS' staff and advisors functioning under your leadership. It is intended to provide complete and reliable information, which will facilitate the management decision process; serve as a means for determining compliance with legal requirements; and allow for the evaluation of responsible stewardship of the funds of the system. As in the past, MOSERS received an unqualified opinion from our independent auditors on the financial statements included in this report. The opinion of the independent auditor can be found on page 18.

Copies of this report are provided to the Governor, State Auditor, Joint Committee on Public Employee Retirement of the general assembly, and all state agencies. These agencies form the link between MOSERS and its members, and their cooperation contributes significantly to the success of MOSERS. We hope all recipients of this report find it informative and useful.

I would like to take this opportunity to express my gratitude to you, the staff, the advisors, the Governor's Task Force on Total Compensation, and other people who have worked so diligently to assure the continued successful operation of the system.

Respectfully submitted,

Gary Findlay

Gary Findlay
Executive Director

907 Wildwood Drive,
P.O. Box 209
Jefferson City, Missouri 65102
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www.mosers.org

Thomas Hodges
Board Chairman

September 22, 1999

Dear Members:

On behalf of the board of trustees, I am pleased to present the MOSERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 1999. This report provides information on the financial status of your retirement system while also highlighting significant changes that occurred during the year.

The investment return on plan assets during the fiscal year again exceeded our assumed actuarial rate of return. This strong investment performance served to further reinforce an already sound funding ratio. These favorable results are directly attributable to the dedication of the MOSERS' investments' staff who diligently execute the asset allocation decisions and strategic policies adopted by the board through cost effective external manager selection initiatives and internal management of index funds.

Expansion of member services was also a hallmark of this fiscal year. The board authorized new Mid-Career Seminars to assist members in their retirement planning efforts earlier in their careers. Member publications, such as this report, continue to improve and evolve, and a new accounting software system was installed to address Y2K issues, as well as anticipated future growth. In addition, benefit and member services handled a significant increase in call volume due to the enactment of the MSEP 2000 legislation. The professional work of our employees in accounting, benefit services, member services, communications, member training, information technology, investments, staff services and executive services, and the value they add to the system and its members is greatly appreciated by the board of trustees.

During the past year, the board's membership changed with the departure of Don Martin and Bryan Ornburn, and the addition of Steve Price and Ben Russell. Don, having served four years, and Bryan, having served six years, exemplified what fiduciary responsibility means in their every action. Their concern for the membership served as a model for other board members, and we recognize them for the valuable contributions they made while serving as trustees. Although we will miss working with Don and Bryan, we look forward to working with Steve and Ben.

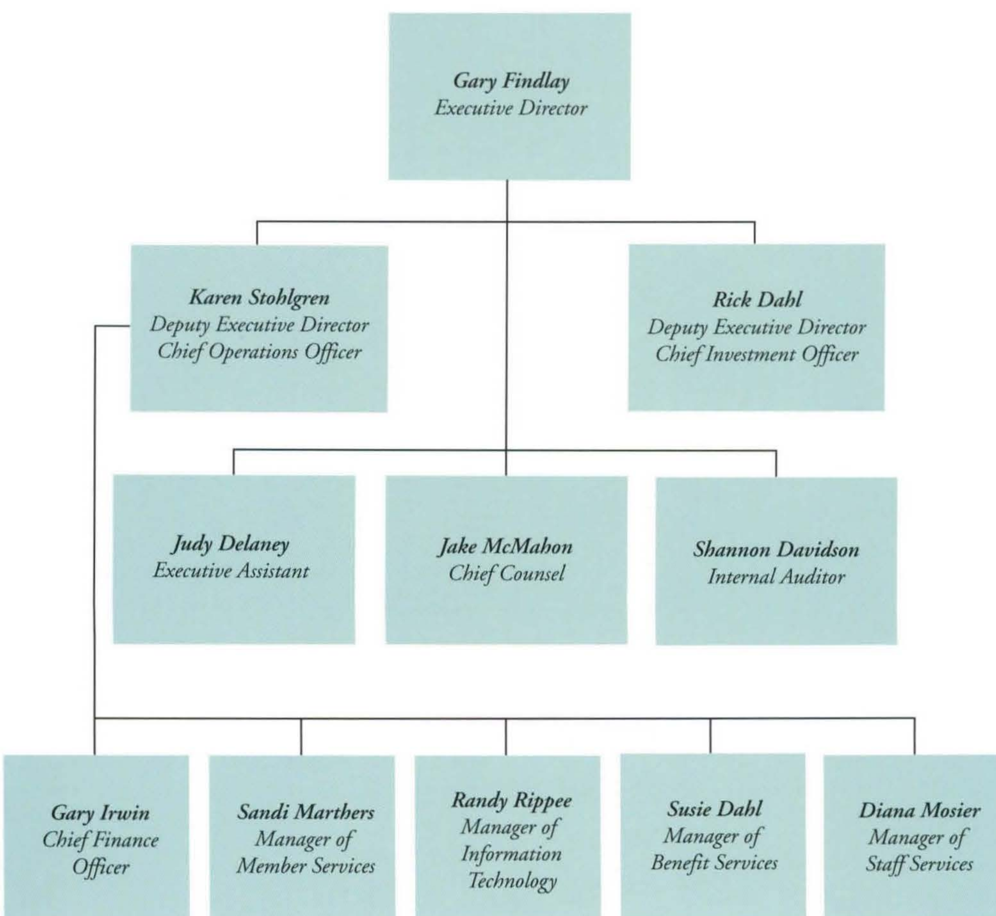
In closing, I wish to thank MOSERS' Executive Director, Gary Findlay, for his work this year on the MSEP 2000 legislation that will be implemented during the upcoming fiscal year. The board recognizes and appreciates his many talents and the contributions he has made to the system.

Sincerely,

Thomas F. Hodges, Chairman
Board of Trustees

Management and Senior Support Staff

Front row: Randy Rippee, Karen Stohlgren, Judy Delaney, Gary Findlay
Front row: Susie Dahl, Jake McMahon, Sandi Marthers,
Shannon Davidson, Diana Mosier, Gary Irwin
Not pictured: Rick Dahl



Standing left to right

Seated left to right

Senator John Scott
Senate Member
Investment Committee
Investment Oversight Committee

Richard Hanson
Commissioner of Administration
Ex-Officio Member
Benefits Committee
Investment Committee
Investment Oversight Committee

Thomas Hodges
Chairman
District Administrator
Board of Probation and Parole
Department of Corrections
Elected Active Member

Jacquelyn White
Vice Chairman
Deputy Director
Department of Mental Health
Governor Appointed Member
Operations Committee
Investment Oversight Committee
Governance Committee*

Not pictured

Bob Holden
State Treasurer
Ex-Officio Member
Investment Committee
Operations Committee
Investment Oversight Committee*

Representative Richard Franklin
House of Representatives' Member
Benefits Committee*
Investment Committee
Operations Committee

* Denotes committee chairman

Executive Services

Standing: Jake McMahon,
Gary Findlay, Shannon Davidson
Seated: Karen Stohlgren, Judy Delaney

Accounting

Standing: Melissa Holzbierlein,
Gary Irwin, Becky Harrison
Seated: Michele Nix, Martha Francis

Information Technology

Standing: Randy Woods, Mark Howard,
Gary Hutinger, Randy Rippee, Karen Raithel, Louis Bremer
Seated: Jennifer Scott, Michelle Shikles,
Barbara Bosch, Kawajalyn Simmons

Investments

Standing: Karen Holterman, Pat Neylon,
W. D Allen, John Brandt, Jim Mullen
Seated: Angela Swanigan, Tricia Bisges
Not pictured: Rick Dahl

Member Services

Standing: Hazel Bledsoe, Gina Kunz, Sandi Marthers, Beckie Chatman, Kendra Wood, Lori Bentlage, Wanda Verdot, *Seated:* Sally Hager, Juanita Libbert *Not pictured:* Beverly Murphy

Communications

Standing: Pam Henry, Paul Rockers, Tracy Upschulte, Deb Benton *Seated:* Betty Kinney, Susie Dahl

Benefit Services

Standing: Anne Rapp, Marc Webb, Gary Hollis, Scott Simon, Kim Alspach *Seated:* Bette Rovik, Karen Eskijian, Becky Wolfe, Susie Dahl *Not pictured:* Tricia Mingucci

Staff Services

Standing: Maggie Rush, Diana Mosier, Jerry Hihn, Lori Leeper *Seated:* Jackie Kennedy, Vanessa Pogue Serio *Not Pictured:* Jeff Goins

The Missouri State Employees' Retirement System (MOSERS), established September 1, 1957, is governed by the statutes of the state of Missouri.

Purpose

MOSERS provides retirement, survivor and disability benefits, and life insurance to its members.

MOSERS administers retirement benefits for most state employees, including members of the Missouri General Assembly, elected state officials, administrative law judges and legal advisors, and judges. MOSERS is responsible for administering the law in accordance with the expressed intent of the Missouri General Assembly and bears a fiduciary obligation to the state employees who are its members and beneficiaries.

Mission

To play an integral role in the future financial security of plan participants by promptly and courteously delivering quality benefits and information which members value and trust through professional plan administration and prudent management of system assets.

Administration

The statutes provide that the administration of MOSERS is vested in an eleven member board of trustees. The board is comprised of:

- Two members of the Senate appointed by the President Pro Tem of the Senate;
- Two members of the House of Representatives appointed by the Speaker of the House;
- Two members appointed by the Governor;
- Three other members of the system: two active members elected by the active and terminated-vested members, and one retiree elected by the retired members;
- The State Treasurer; and
- The Commissioner of Administration.

The day-to-day management of MOSERS is delegated to the executive director who is appointed by the board and serves at its pleasure. The executive director acts as advisor to the board on all matters pertaining to the system and, with the approval of the board, contracts for professional services and employs the remaining staff needed to operate the system.

Organization

The executive director, deputy executive director – chief operations officer, and the deputy executive director – chief investment officer are responsible for planning, organizing, and administering the operations of the system under the broad policy guidance and direction of the board.

MOSERS' office is divided into seven administrative sections that perform specific functions for the system.

Executive Services

The executive services team provides administrative support by assisting the executive director and chief operations officer in the major legal, operational, and oversight functions of the retirement, benefit, and communication programs.

Accounting

This section is responsible for all financial records of the programs administered by MOSERS, including the preparation of financial and statistical reports. Accounting performs the purchasing functions for MOSERS and interfaces with the investment consultant, investment managers, Office of Administration accounting, various payroll/personnel departments, life insurance companies, actuaries, banks, and the IRS.

Benefit Services

Benefit services is responsible for all contact with the membership regarding the benefit programs administered by MOSERS which include retirement, life insurance, and long-term disability. This section is comprised of customer service, technical support, communications, and member training.

Information Technology

Utilizing an IBM AS400 minicomputer and high end workstations, information technology provides all computer and technical design support for MOSERS' data processing activities. This group is responsible for establishing and updating computer programs to implement plan changes and also maintains members' folder information on FileNet – an optical disk image system that allows information to be stored and processed using computer displayed images of original documents. Information technology is also responsible for administration of the personal computer network, maintenance of MOSERS' web site, and the telephone system.

Investments

The investments' staff provides internal investment management and consulting services to the board and the executive director. The primary functions of staff include analyzing and rebalancing the overall asset allocation and portfolio structure, managing portions of the portfolio, providing technical advice, selecting and monitoring external managers, serving as a liaison to the investment community, and informing and advising the board and executive director on financial, economic, and political developments which may affect the system. The investments' staff also works with the asset consultant on a project specific basis.

Member Services

Member services is responsible for establishing and maintaining all membership records – including maintenance of the data on the electronic imaging system, balancing payroll deductions for insurance, and entering the payroll, service, and leave data into the system's computerized database.

Staff Services

Staff services provides clerical support, mail services, and general building maintenance for MOSERS' personnel. Human resources is also represented in this section.

Actuary

Gabriel, Roeder, Smith & Co.
Actuaries and Consultants
Alan Sonnanstine, Brad Armstrong
Southfield, Michigan

Auditors

KPMG LLP
Certified Public Accountants
Nicolette Spence
Kansas City, Missouri

Master Trustee/Custodian

Deutsche Bank
Bankers Trust Company of the Southwest
Douglas Womack, Rebecca Roberie
Dallas, Texas

Equity Investment Advisors

Deutsche Asset Management
Global Investment Management
Rick Vella, Peter Kuntz
New York, New York

Capital Guardian Trust
Mike Nyeholt, Andrew Barth
Los Angeles, California

Dimensional Fund Advisors
Carol Wardlaw, Rex Sinquefield
Santa Monica, California

Morgan Grenfell
Investment Services Limited
Jack Gastler, Neil Jenkins
London, England

Oak Associates, Ltd.
James Oelschlager, Sandra Noll
Akron, Ohio

Silchester International Investors
Christopher Cowie, Stephen Butt
London, England

Zak Capital, Inc.
Suzanne Zak, Tina Michael
Minneapolis, Minnesota

Fixed Income Investment Advisors

BlackRock Financial Management, Inc.
Robert Capaldi, Keith Anderson
New York, New York

Hoisington Investment Management Company
Van Hoisington, Lacy Hunt
Austin, Texas

NISA Investment Advisors
Robert Krebs, Bill Marshall
St. Louis, Missouri

Securities Lending Advisors

Deutsche Bank
Securities Lending Division
Bill Kelly, John Burgess
New York, New York

Goldman, Sachs & Co.
Goldman Securities Lending
Marie Poliseno
New York, New York

Investment Management Consultant

Summit Strategies, Inc.
Steve Holmes, Charlie Holmes
St. Louis, Missouri

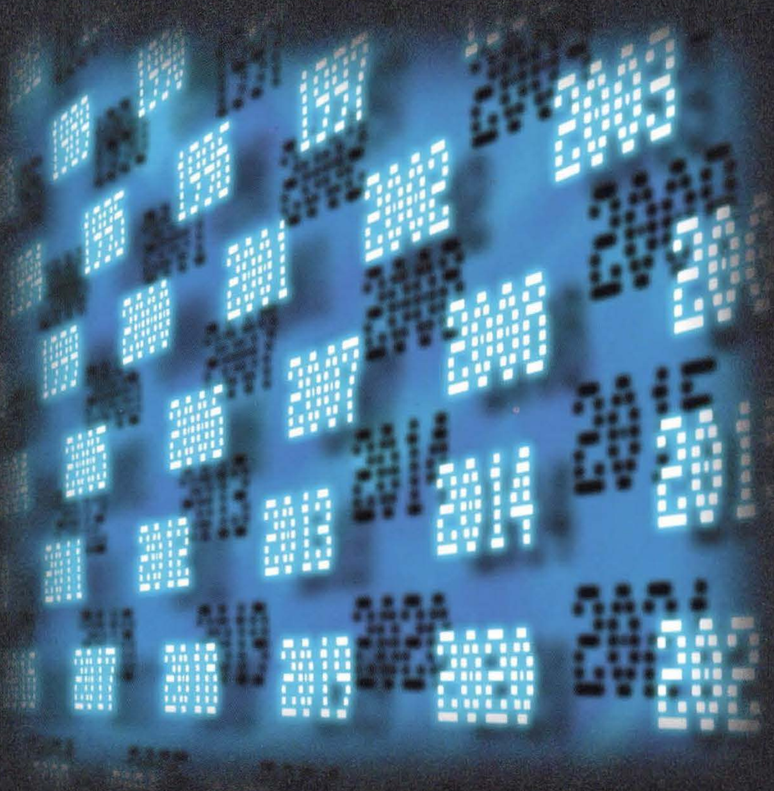
Legal Counsel

Thompson Coburn
Attorneys at Law
Allen Allred
St. Louis, Missouri

Risk Management Consultant

Charlesworth & Associates, L.C.
Art Charlesworth, Bob Charlesworth
Overland Park, Kansas

Financial Section



OPPORTUNITY

Seizing Today to Master Tomorrow

KPMG

1000 Walnut, Suite 1600
P.O. Box 13127
Kansas City, MO 64199

The Board of Trustees
Missouri State Employees' Retirement System
907 Wildwood Drive
Jefferson City, MO 65109

Dear Board Members:

We have audited the financial statements of the Missouri State Employees' Retirement System, a component unit of the state of Missouri, as of and for the year ended June 30, 1999, as listed in the accompanying table of contents. These financial statements are the responsibility of the retirement system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of the Missouri State Employees' Retirement System's pension trust funds present fairly, in all material respects, the plan net assets as of June 30, 1999, and the related changes in plan net assets for the year then ended in conformity with generally accepted accounting principles. Also in our opinion, the financial statements of the Missouri State Employees' Retirement System's internal service fund present fairly, in all material respects, its financial position as of June 30, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules of funding progress and employer contributions on pages 30-33 are not a required part of the basic financial statements of the Missouri State Employees' Retirement System, but are required by the Governmental Accounting Standards Board. The supplementary information included in pages 36-40 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Missouri State Employees' Retirement System. Such information, included on pages 30-33, and pages 36-40 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The year 2000 supplementary information on pages 34-35 is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the Missouri State Employees' Retirement System is or will become year 2000 compliant, that the Missouri State Employees' Retirement System's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Missouri State Employees' Retirement System does business are or will become year 2000 compliant.

September 3, 1999

KPMG LLP

Missouri State Employees' Retirement System

Statements of Plan Net Assets

Pension Trust Funds

As of June 30, 1999

	Missouri State Employees' Plan	Administrative Law Judges' and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
Assets				
Cash and short-term investments	$ 96,216,865	$ 230,185	$ 86,380	$ 96,533,430
Receivables				
State contributions	16,648,357	54,850	1,495,367	18,198,574
Investment income	34,062,940	81,491	30,581	34,175,012
Investment sales	92,588,850	221,505	83,123	92,893,478
Other	317,994	761	285	319,040
Total receivables	143,618,141	358,607	1,609,356	145,586,104
Investments at fair value				
U.S. Treasury securities	380,343,729	909,916	341,460	381,595,105
Corporate bonds	583,229,093	1,395,290	523,603	585,147,986
Government bonds and govt. mortgage-backed securities	573,166,211	1,371,216	514,569	575,051,996
Real estate equity	6,787,668	16,239	6,094	6,810,001
Common stock	2,422,664,620	5,795,868	2,174,986	2,430,635,474
International EAFE index fund	376,941,288	901,776	338,405	378,181,469
Preferred stock	79,328	190	71	79,589
Venture capital	322,078	771	289	323,138
Closed-end real estate fund	89,711	215	81	90,007
Collateralized mortgage obligations	32,122,257	76,848	28,838	32,227,943
Foreign currency	4,779,050	11,433	4,290	4,794,773
International equities	617,907,997	1,478,254	554,737	619,940,988
U.S. dollar denominated international corporate bonds	25,629,882	61,316	23,010	25,714,208
Total investments	5,024,062,912	12,019,332	4,510,433	5,040,592,677
Securities lending collateral	88,689,834	212,177	79,623	88,981,634
Fixed assets				
Land	337,177	807	303	338,287
Building and building improvements	4,354,196	10,417	3,909	4,368,522
Furniture, fixtures, and equipment	1,880,088	4,498	1,688	1,886,274
	6,571,461	15,722	5,900	6,593,083
Accumulated depreciation	(1,461,708)	(3,497)	(1,312)	(1,466,517)
Total fixed assets	5,109,753	12,225	4,588	5,126,566
Prepaid expenses and other	48,063	115	43	48,221
Total assets	5,357,745,568	12,832,641	6,290,423	5,376,868,632
Liabilities				
Administrative expense payables	1,951,935	4,670	1,752	1,958,357
Investment purchases	142,456,721	340,807	127,893	142,925,421
Securities lending collateral	88,689,834	212,177	79,623	88,981,634
Real estate security deposits	54,115	129	49	54,293
Employee vacation and overtime liability	179,453	429	161	180,043
Total liabilities	233,332,058	558,212	209,478	234,099,748
Net assets held in trust for pension benefits	$ 5,124,413,510	$ 12,274,429	$ 6,080,945	$ 5,142,768,884

(A schedule of funding progress for each plan is presented on page 30.)

See accompanying *Notes to the Financial Statements.*

Missouri State Employees' Retirement System

Statements of Changes in Plan Net Assets
Pension Trust Funds

Year Ended June 30, 1999

	Missouri State Employees' Plan	Administrative Law Judges' and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
Additions				
Contributions				
State contributions	$ 197,909,834	$ 639,285	$ 17,862,353	$ 216,411,472
Member purchases of service credit	1,151,328	0	0	1,151,328
Service transfer contributions	147,315	0	0	147,315
Total contributions	199,208,477	639,285	17,862,353	217,710,115
Investment income				
From investing activities				
Net appreciation in fair value of investments	364,054,803	870,952	326,839	365,252,594
Interest	96,078,786	229,854	86,256	96,394,896
Dividends	43,934,382	105,107	39,443	44,078,932
Other	4,296,074	10,278	3,857	4,310,209
Total investing activity income	508,364,045	1,216,191	456,395	510,036,631
Investing activity expenses:				
Management fees	(5,068,775)	(12,126)	(4,551)	(5,085,452)
Custody fees	(582,133)	(1,393)	(523)	(584,049)
Consultant fees	(201,545)	(482)	(181)	(202,208)
Performance measurement fees	(48,453)	(116)	(44)	(48,613)
Portfolio transition costs	(77,168)	(185)	(69)	(77,422)
Total investing activity expenses	(5,978,074)	(14,302)	(5,368)	(5,997,744)
Net income from investing activities	502,385,971	1,201,889	451,027	504,038,887
From securities lending activities				
Securities lending income	12,670,452	30,312	11,375	12,712,139
Securities lending expenses:				
Borrower rebates	(10,757,291)	(25,735)	(9,658)	(10,792,684)
Management fees	(272,842)	(653)	(245)	(273,740)
Total securities lending activities expenses	(11,030,133)	(26,388)	(9,903)	(11,066,424)
Net income from securities lending activities	1,640,319	3,924	1,472	1,645,715
Total net investment income	504,026,290	1,205,813	452,499	505,684,602
Miscellaneous income	659,215	1,577	592	661,384
Total additions	703,893,982	1,846,675	18,315,444	724,056,101
Deductions				
Benefits	155,260,156	747,663	12,229,325	168,237,144
Benefit adjustments	39,768	0	0	39,768
Administrative expenses	5,763,229	13,788	5,174	5,782,191
Total deductions	161,063,153	761,451	12,234,499	174,059,103
Net increase	542,830,829	1,085,224	6,080,945	549,996,998
Net assets held in trust for pension benefits:				
Beginning of year	4,581,582,681	11,189,205	0	4,592,771,886
End of year	$ 5,124,413,510	$ 12,274,429	$ 6,080,945	$ 5,142,768,884

See accompanying *Notes to the Financial Statements.*

Missouri State Employees' Retirement System

Balance Sheet
Internal Service Fund

As of June 30, 1999

Assets	
Premiums receivable	$ 1,570,710
Investments at fair value	661,988
Total assets	2,232,698
Liabilities and retained earnings	
Liabilities	
Premiums payable	1,176,706
Employee vacation and overtime liability	19,143
Checks outstanding net of deposits	3,000
Other	915,208
Total liabilities	2,114,057
Retained earnings	118,641
Total liabilities and retained earnings	$ 2,232,698

See accompanying *Notes to the Financial Statements.*

Missouri State Employees' Retirement System

Statement of Revenues, Expenses, and Changes in Retained Earnings
Internal Service Fund

Year Ended June 30, 1999

Operating revenues	
Premium receipts	$ 18,942,591
Miscellaneous income	444,618
Total operating revenues	19,387,209
Operating expenses	
Premium disbursements	18,877,414
Premium refunds	65,177
Death benefits	5,000
Administrative expenses	622,545
Total operating expenses	19,570,136
Operating revenues under operating expenses	(182,927)
Nonoperating revenues	
Investment income	55,323
Net revenues over expenses	(127,604)
Retained earnings July 1, 1998	246,245
Retained earnings June 30, 1999	$ 118,641

See accompanying *Notes to the Financial Statements.*

Missouri State Employees' Retirement System

Statement of Cash Flows
Internal Service Fund

Year Ended June 30, 1999

Cash flows from operating activities	
Receipts from employer and members	$ 19,221,786
Other miscellaneous income	31,098
Premium payments to outside carriers	(18,799,346)
Refunds of premiums to members	(65,177)
Payments to employees for services	(200,705)
Payments to other suppliers of goods and services	(152,296)
Death benefits paid	(5,000)
Net cash provided by operating activities	30,360
Cash flows from noncapital financing activities	
Implicit funding of checks outstanding net of deposits	3,000
Implicit repayment of prior years checks outstanding net of deposits	(1,753)
Net cash provided by noncapital financing activities	1,247
Cash flows from investing activities	
Purchase of investment securities	(285,857,544)
Proceeds from sale and maturities of investment securities	285,770,614
Receipts from investment income	55,323
Net cash used in investing activities	(31,607)
Net increase in cash	0
Cash balance July 1, 1998	0
Cash balance June 30, 1999	$ 0
Reconciliation of operating revenues over expenses to net cash used in operating activities	
Operating revenues under expenses	$ (182,927)
Adjustments to reconcile operating revenues under expenses to net cash used in operating activities	
Change in assets and liabilities:	
Increase in operational accounts receivable	125,825
Increase in operational accounts payable	87,462
Total adjustments	213,287
Net cash provided by operating activities	$ 30,360

See accompanying *Notes to the Financial Statements.*

(1) Plan Descriptions

Missouri State Employees' Plan

The Missouri State Employees' Plan (MSEP) is a single-employer, public employee retirement plan administered in accordance with Sections 104.010 and 104.312 to 104.800 of the Revised Statutes of Missouri (RSMo). As established under Section 104.320, RSMo, the Missouri State Employees' Retirement System is a body corporate and an instrumentality of the state. In the system are vested the powers and duties specified in sections 104.010 and 104.312 to 104.800 and such other powers as may be necessary or proper to enable it, its officers, employees, and agents to carry out fully and effectively all the purposes of sections 104.010 and 104.312 to 104.800.

Responsibility for the operation and administration of the system is vested in the Missouri State Employees' Retirement System (MOSERS) Board of Trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the MSEP is considered a part of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Generally, all full-time state employees who are not covered under another state-sponsored retirement plan are eligible for membership in the MSEP. On June 30, 1999, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits		17,117
Terminated employees entitled to, but not yet receiving benefits		11,094
Active:		
Vested	33,770	
Nonvested	22,388	56,158
Total membership		84,369

The MSEP provides retirement, death, and disability benefits to its members. Benefits for general state employees are fully vested after five years of credited service (completion of one, four-year term of office for elected officials and six years for legislators). General employees may retire on or after age 55 and receive reduced benefits (full benefits if they are at least age 50 and their combined age and service equal 80). Cost-of-living adjustments (COLAs) are provided annually based on 80 percent of the change in the consumer price index (CPI) with a minimum of 4 percent (for members hired prior to August 28, 1997), and maximum of 5 percent, until the cumulative amount of COLAs equals 65 percent of the original benefit. Thereafter, the 4 percent minimum is eliminated. Qualified, terminated-vested members may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least five but less than ten years of service, be less than age 60 (50 for legislators and uniformed water patrol officers), and have a benefit present value of less than $10,000.

The state of Missouri is required to make all contributions to the MSEP. Prior to September 1, 1972, contributions by members were required. Accumulated employee contributions made prior to that time, plus interest through August 28, 1997, are refundable to the member or designated beneficiaries.

Administrative Law Judges' and Legal Advisors' Plan

The Administrative Law Judges' and Legal Advisors' Plan (ALJLAP) is a single-employer, public employee retirement plan administered in accordance with Sections 287.812 to 287.856, RSMo. Responsibility for the operation and administration of the system is vested in the MOSERS' Board of Trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the ALJLAP is considered a part of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Individuals appointed or employed as administrative law judges or legal advisors in the Division of Workers' Compensation, members of the Labor and Industrial Relations Commission and their attorneys, the chairperson of the State Board of Mediation, and administrative hearing commissioners are eligible for membership in the ALJLAP. On June 30, 1999, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits		24
Terminated employees entitled to but not yet receiving benefits		18
Active:		
Vested	47	
Nonvested	0	47
Total membership		89

The ALJLAP provides retirement, death, and disability benefits to its members. Employees who retire on or after age 65 with 12 or more years of credited service or on or after age 55 with 20 or more years of credited service are eligible for a monthly retirement benefit equal to one-half of the average, highest, 12 consecutive months of salary received during the period of service. Employees with less than 12 years of service are eligible for a reduced benefit upon retirement. COLAs are provided annually based on 80 percent of the change in the CPI with a minimum of 4 percent (for members hired prior to August 28, 1997), and maximum of 5 percent, until the cumulative amount of COLAs equals 65 percent of the original benefit. Thereafter, the 4 percent minimum is eliminated. Qualified, terminated-vested members may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least five but less than ten years of service, be less than age 60, and have a benefit present value of less than $10,000. The state of Missouri is required to make all contributions to the ALJLAP.

Judicial Plan

The Judicial Plan is a single-employer, public employee retirement plan administered in accordance with Sections 476.445 to 476.690, RSMo. Responsibility for the operation and administration of the Judicial Plan is vested in the MOSERS' Board of Trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the Judicial Plan is considered a part of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Judges are eligible to retire at age 62 with 12 years of credited service or age 60 with 15 years of credited service with benefits equal to one-half of the average monthly compensation of the highest judicial position held during the period of service. COLAs are provided annually based on 80 percent of the change in the CPI with a minimum of 4 percent (for members hired prior to August 28, 1997), and maximum of 5 percent, until the cumulative amount of COLAs equals 65 percent of the original benefit. Thereafter, the 4 percent minimum is eliminated. Qualified, terminated-vested members may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least five but less than ten years of service, be less than age 60, and have a benefit present value of less than $10,000.

On June 30, 1999, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits		354
Terminated employees entitled to but not yet receiving benefits		69
Active:		
Vested	366	
Nonvested	0	366
Total membership		789

The Judicial Plan provides retirement, death, and disability benefits to those serving as judges in the state of Missouri. Funding of the Judicial Plan on an actuarial basis began on July 1, 1998, and the state of Missouri is required to make all contributions to the Judicial Plan.

Missouri State Insurance Plan

The Missouri State Insurance Plan is accounted for as an internal service fund of the state of Missouri and is administered by MOSERS. It provides basic life insurance for eligible members of the MSEP (except employees of the Missouri Department of Conservation, and the state colleges and universities), members of the Judicial Plan, members of the ALJLAP, and certain members of the Public School Retirement System; optional life insurance for active employees and retirees who are eligible for basic coverage; and a long-term disability plan for certain eligible members. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the Missouri State Insurance Plan is considered a part of the state of Missouri financial reporting entity and is included in the state's financial reports as an internal service fund.

(2) Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements of the MSEP, ALJLAP, Judicial Plan, and Missouri State Insurance Plan were prepared using the accrual basis of accounting. Contributions are recognized as revenues in the period in which employee services are performed, and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payment is made. The direct method of reporting cash flows is used. For its proprietary activities, MOSERS applies all Financial Accounting Standards Board (FASB) statements and interpretations that do not conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

Cash

Cash balances represent both operating cash accounts held by the banks and investment cash on deposit with the investment custodian. To maximize investment income, the float caused by outstanding checks is invested, thus causing a possible negative book balance. The negative book balance has been reflected in the liabilities section of the balance sheet of the internal service fund. The negative book balance has been included as cash and short-term investments on the statements of plan net assets of the pension trust funds. The following is a schedule of the aggregate book and bank balances of all cash accounts. All deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC). In addition to the FDIC insurance coverage on the accounts of MOSERS, the bank pledged the following securities to MOSERS on June 30, 1999, as collateral for overnight repurchase agreements:

$500,000 Federal Home Loan Bank Discount Note Maturity Date 07/06/1999
$750,000 Federal Home Loan Bank Discount Note Maturity Date 09/20/1999
$500,000 Federal Home Loan Bank 5.525% Note Maturity Date 08/28/2000
$1,000,000 Federal Home Loan Bank 5.5% Note Maturity Date 03/28/2002

Cash Balances

Pension Trust Funds		Internal Service Fund	
Book	Bank	Book	Bank
$(5,042,463)	$358,670	$(3,000)	$369

Method Used to Value Investments

Investments of the pension trust funds and the internal service fund are reported at fair value.

The following schedule provides a summary of the fair values of the investments as reported on the statements of net assets of the pension trust funds and balance sheet of the internal service fund. Fair values for the equity real estate investments are based on appraisals. Fair values of the venture capital investments are based on valuations of the underlying companies of the limited partnerships. Fair value of the EAFE index fund is determined based on the underlying assets in the fund. The remaining assets are primarily valued by the investment custodian using the last trade price information supplied by various pricing data vendors. On June 30, 1999, the system did not have investments in any one organization, other than those issued by the U.S. government, which represented greater than 5 percent of plan net assets.

Derivatives

In accordance with its investment policy, MOSERS, through its external investment managers, holds investments in futures contracts, swap contracts, and forward foreign currency exchange contracts. Futures contracts of approximately $38,000,000 in short positions and $3,400,000 in long positions were held for investment purposes on June 30, 1999. These contracts are used as a tool by managers to help track their benchmarks. In November 1998, MOSERS entered into swap agreements with notional amounts totaling approximately $190 million. Two types of swap agreements were put in place. As a result of the first type of swap agreement, MOSERS pays the notional amount multiplied by the United States Dollar Treasury Bill (T-Bill) rate to the counterparty. The counterparty, in turn, pays the total return of the Goldman Sachs Commodity Index less 90 basis points. This swap was put in place to obtain exposure to the commodities market. The second type of swap agreement is an interest rate swap in which MOSERS pays the notional amount multiplied by the United States Dollar London InterBank Offered Rate (LIBOR) to the counterparty. The counterparty, in turn, pays the notional amount multiplied by the T-bill rate plus a spread. This swap was put in place to decrease the interest rate risk associated with the GSCI, which includes a return on T-bills. MOSERS does not anticipate additional significant market risk from the swap arrangements. Forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities, primarily denominated in European and Asian currencies. On June 30, 1999, MOSERS had approximately $40,116,996 net exposure to loss from forward foreign currency exchange transactions related to the $937,358,269 international equity portfolio.

MOSERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MOSERS' investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. MOSERS anticipates that the counterparties will be able to satisfy their obligations under the contracts.

Investments

Year Ended June 30, 1999

	Pension Trust Funds' Investments at Fair Value	Internal Service Fund Investments at Fair Value	Total (Memorandum Only) Investments at Fair Value
Category 1 Classification			
Common stocks			
Not on securities loan	$ 2,389,800,060	$ 0	$ 2,389,800,060
International equities			
Not on securities loan	575,236,783	0	575,236,783
International corporate bonds	25,714,207	0	25,714,207
Preferred stocks	79,589	0	79,589
Treasury bonds,notes and bills			
Not on securities loan	381,595,105	0	381,595,105
Government bonds and			
govt. mortgage backed securities	575,051,996	0	575,051,996
Corporate bonds			
Not on securities loan	585,147,986	0	585,147,986
Subtotal	4,532,625,726	0	4,532,625,726
Category 2 Classification			
Repurchase agreements	1,425,363	661,988	2,087,351
Subtotal	1,425,363	661,988	2,087,351
Not Subject to Classification			
Investments held by broker-dealers			
under securities loans for cash collateral			
Common stocks	40,835,414	0	40,835,414
International equities	44,704,204	0	44,704,204
Short-term investment funds	189,132,165	0	189,132,165
Collateralized mortgage obligations	32,227,943	0	32,227,943
Real estate equity holdings	6,810,001	0	6,810,001
Closed-end real estate fund	90,007	0	90,007
EAFE index fund	378,181,470	0	378,181,470
Foreign currencies	4,794,774	0	4,794,774
Venture capital limited partnerships	323,138	0	323,138
Subtotal	697,099,116	0	697,099,116
Total	$ 5,231,150,205	$ 661,988	$ 5,231,812,193

Reconciliation to investments	
on Statements of Net Assets	
Totals above	$ 5,231,150,205
Less short-term investments:	
Repurchase agreements	(1,425,363)
Short-term investment funds	(100,150,529)
Less invested securities lending collateral	
Short-term investment funds	(88,981,636)
Investment on statement of plan net assets	$ 5,040,592,677

MOSERS invests in mortgage-backed securities which are reported at fair value in the Statements of Plan Net Assets of Pension Trust Funds and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates, thereby reducing the value of these securities. MOSERS invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk.

Categories of Asset Risks

All investments are governed primarily by an investment doctrine known as the prudent person rule. The prudent person rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the funds. The Governmental Accounting Standards Board Statement Number 3 requires disclosure of investment securities within the following three categories of credit risk. Category 1 includes investments that are insured or registered or which are held by the system or its agent in the system's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust departments or agent in the system's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, its trust department, or agent but not in the system's name.

A security, for purposes of classification in the above categories, is a transferable financial instrument that evidences ownership or creditorship. Securities do not include investments made with another party, real estate, or direct investments in mortgages and other loans. Investments in open-end mutual funds, annuity contracts, and guaranteed investment contracts are also not considered securities for purposes of credit risk classification. Such investments are shown as not subject to classification.

Total Memorandum Only Columns

Total columns captioned (Memorandum Only) are to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial positions, results of operations, or cash flows in conformity with generally accepted accounting principles. Such data are not comparable to a consolidation since interfund eliminations have not been made.

Securities Lending Program

The board of trustees' investment policy permits the pension trust funds to participate in a securities lending program. Certain securities of the pension trust funds are loaned to participating brokers by the securities lending administrator. Brokers who borrow the securities provide collateral in the form of cash, U.S. Treasury or government agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102 percent of market value for domestic loans and 105 percent of market value for international loans. There are no restrictions on the amount of loans that can be made. Securities on loan at fiscal year end for cash collateral are presented as not subject to classification in the schedule on page 27; securities on loan for noncash collateral are classified according to the category pertaining to the collateral. The custodian (Deutsche Bank effective in June 1999, having completed its acquisition of Bankers Trust) provides for full indemnification to the pension trust funds for any losses that might occur in the program due to broker default, insufficiency of collateral, or operations risk associated with corporate actions and income collection. Full indemnification and daily monitoring of securities that are on loan ensure proper collateralization levels and mitigate counterparty risk.

Due to the volatility of the United States bond market and international markets in the third quarter of calendar year 1998, lending of those two asset classes was halted until such time as there was evidence of renewed stability. International lending was resumed in the spring of 1999; however, fixed income securities lending remained inactive as of the end of the fiscal year while the search for a lending administrator was underway.

Currently, Deutsche Bank administers the lending program for international equity securities. The majority of international loans are open loans and can be terminated on demand by either MOSERS or the borrower; therefore, there is no direct matching of the maturities of the loans with the investments of the cash collateral. Cash collateral is invested on behalf of MOSERS in a commingled short-term investment fund managed by Deutsche Bank. The cash collateral investments had an average weighted maturity of 43 days as of June 30, 1999. Net income derived from lending operations is shared 75 percent/25 percent for international loans between the pension trust funds and the custodian, respectively. The custodian's share represents their compensation for operating the program.

On July 1, 1998, Goldman Sachs was hired to replace the custodian for the management of the domestic equity securities lending program. The nature of the program is somewhat different from the Deutsche Bank administered program. Goldman Sachs functions as the exclusive borrower of MOSERS' domestic equities rather than as a lending agent to many brokers, as is the case with Deutsche Bank. MOSERS receives an annual fee from Goldman Sachs that is guaranteed and is superior to all past fee arrangements because of the exclusivity feature of the lending/borrowing relationship. The guaranteed fee is renegotiated on a

periodic basis to adjust for changes in the securities lending business climate. Additionally, Deutsche Bank completely indemnifies the domestic equities lending program in the same manner as is done with all other brokers. Cash collateral from the Goldman Sachs securities loans is also invested in the same commingled, short-term investment fund referenced previously.

Office Building, Equipment, and Fixtures

Office building, equipment, and fixtures are capitalized at cost when acquired. Improvements, which increase the useful life of the property, are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets according to the following schedule:

5 years for furniture, fixtures, equipment
40 years for building

(3) Contributions and Reserves

The MSEP, ALJLAP, and the Judicial Plan are pension plans covering substantially all state of Missouri employees, administrative law judges and legal advisors in the Division of Workers' Compensation, and judges. The state of Missouri is obligated by state law to make all required contributions to the plans. The required contributions are expressed as a level percentage of covered payroll and are actuarially determined using an individual entry-age actuarial cost method. The unfunded accrued liabilities are amortized over a closed 36- year period. Costs of administering the plans are financed from the assets of the pension trust funds.

(4) Other Postemployment Benefits (OPEB)

In addition to the retirement benefits provided through MOSERS, the state of Missouri also funds, either partially or in its entirety, OPEB for eligible retirees as follow:

Retiree Life Insurance

Retirees, who retired on or after October 1, 1985, are eligible for $5,000 of state-sponsored, basic life insurance coverage if they retire directly from active employment. As of June 30, 1999, 7,613 retirees were eligible and participating in the program. The coverage is financed on a pay-as-you-go basis and is purchased as a group policy through competitive bids at a current cost of $10.35 per month per eligible participant ($916,027 for the year ended June 30, 1999). Premiums are paid entirely by the state as provided for by Section 104.515, RSMo.

Retirees of the Department of Labor and Industrial Relations (DOLIR), who retired prior to January 1, 1996, are eligible for state-sponsored life insurance coverage in the same amount of coverage they were receiving through the DOLIR. As of June 30, 1999, 729 retirees were eligible and participating in the program. The coverage is financed on a pay-as-you-go basis and is purchased as a group policy through competitive bids at a current cost of $2.07 per thousand dollars of coverage, per month, per eligible participant ($79,934 for the year ended June 30, 1999). Premiums are paid entirely by the DOLIR as provided for by Section 228.225, RSMo. Retirees of the DOLIR who retired on or after January 1, 1996, are eligible for $5,000 of state-sponsored life insurance coverage if they retire directly from active employment. They are included in the group described in the preceding paragraph.

(5) Plan Termination

MOSERS and its related plans are administered in accordance with Missouri statutes. The statutes do not provide for termination of the plans under any circumstances.

(6) Contingencies

Included in MOSERS' real estate investments is a property located in St. Louis, Missouri and a property in Kansas City, Missouri, which have been found to have hazardous substance contamination. MOSERS is currently participating in the Hazardous Substance Environmental Remediation Program administered by the Missouri Department of Natural Resources in order to delineate the scope and magnitude of the contamination and determine what appropriate remedial action is needed. Based on the available information, the system's management believes it is not reasonably possible to predict the amount of additional expense MOSERS may incur. Accordingly, no provision has been made in the accompanying financial statements for this matter.

MOSERS is a defendant in two lawsuits which, in management's opinion, will not have a material effect on the financial statements.

(7) Subsequent Events

Due to a provision in Senate Bill 308 & 314 which became effective August 28, 1999, certain members who were not granted an Unreduced Joint & 50% Survivor Benefit previously under House Bill 356 (1997), are entitled to a one-time payment in the amount equal to the difference between the amount of retirement benefits received and the amount each such member would have received had the benefit originally been calculated using this new, normal form of payment. These payments are estimated to total $8.9 million; no provision for these payments has been included in the financial statements.

Required Supplementary Information
Schedules of Funding Progress

Missouri State Employees' Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/90	$ 1,587,114,827	$ 1,861,365,216	$ 274,250,389	85.3%	$ 994,228,494	27.6%
6/30/91	1,793,370,043	2,052,600,760	259,230,717	87.4	1,027,719,059	25.2
6/30/92	1,991,215,165	2,291,583,890	300,368,725	86.9	1,030,240,894	29.2
6/30/93	2,236,558,739	2,447,222,060	210,663,321	91.4	1,063,246,615	19.8
6/30/94	2,425,134,504	2,919,456,425	494,321,921	83.1	1,124,862,008	43.9
6/30/95	2,649,077,134	3,150,796,580	501,719,446	84.1	1,198,938,042	41.8
6/30/96	2,927,896,643	3,440,126,483	512,229,840	85.1	1,267,605,000	40.4
6/30/97	3,580,974,502	4,484,047,801	903,073,299	79.9	1,359,656,666	66.4
6/30/98	4,210,635,094	4,918,887,183	708,252,089	85.6	1,459,712,203	48.5
6/30/99	4,908,820,033	5,505,968,629	597,148,596	89.2	1,564,551,532	38.2

Administrative Law Judges' and Legal Advisors' Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/90	$ 4,093,598	$ 6,333,743	$ 2,240,145	64.6%	$ 1,912,986	117.1%
6/30/91	4,707,938	7,202,859	2,494,921	65.4	1,940,201	128.6
6/30/92	5,247,546	7,483,415	2,235,869	70.1	1,725,380	129.6
6/30/93	5,864,317	8,164,468	2,300,151	71.8	1,931,355	119.1
6/30/94	6,229,224	8,766,732	2,537,508	71.1	2,094,062	121.2
6/30/95	6,655,207	9,729,955	3,074,748	68.4	2,166,275	141.9
6/30/96	7,258,814	10,276,363	3,017,549	70.6	2,706,314	111.5
6/30/97	8,864,395	11,427,181	2,562,786	77.6	2,865,733	89.4
6/30/98	10,285,233	12,886,908	2,601,675	79.8	2,806,436	92.7
6/30/99	11,763,737	14,774,525	3,010,788	79.6	3,488,698	86.3

Judicial Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/90	$ 0	$ 101,900,740	$ 101,900,740	0.0%	$ 24,463,766	416.5%
6/30/91	0	119,052,585	119,052,585	0.0	25,742,372	462.5
6/30/92	0	127,140,534	127,140,534	0.0	26,402,164	481.6
6/30/93	0	132,441,964	132,441,964	0.0	26,641,236	497.1
6/30/94	0	141,595,625	141,595,625	0.0	27,006,602	524.3
6/30/95	0	153,646,982	153,646,982	0.0	27,984,008	549.1
6/30/96	0	161,734,110	161,734,110	0.0	29,908,056	540.8
6/30/97	0	197,472,573	197,472,573	0.0	31,663,101	623.7
6/30/98	0	207,579,797	207,579,797	0.0	32,446,141	639.8
6/30/99	6,067,305	227,802,341	221,735,036	2.7	34,162,013	649.1

See *Notes to the Schedules of Required Supplementary Information.*
See accompanying *Independent Auditors' Report.*

Missouri State Employees' Retirement System

Year Ended June 30	Annual Required Contribution Percent	Dollar Amount	Percentage Contributed
1991	11.57%	$ 120,205,229	86%
1992	9.65	100,672,145	100
1993	9.68	102,988,219	100
1994	9.49	106,681,308	100
1995	9.04	108,902,372	100
1996	10.69	137,007,112	100
1997	10.66	146,383,371	100
1998	10.40	152,090,687	100
1999	12.58	197,909,834	100

Administrative Law Judges' and Legal Advisors' Plan

Year Ended June 30	Annual Required Contribution Percent	Dollar Amount	Percentage Contributed
1991	26.61%	$ 527,648	100%
1992	25.51	500,250	100
1993	27.77	548,707	100
1994	24.18	502,019	100
1995	22.50	498,233	100
1996	21.16	548,276	100
1997	22.60	652,709	100
1998	19.66	564,295	100
1999	18.70	639,285	100

Judicial Plan

Year Ended June 30	Annual Required Contribution Percent	Dollar Amount	Percentage Contributed
1991	35.55%	$ 9,151,413	56%
1992	37.78	9,974,738	74
1993	40.93	10,904,258	71
1994	40.12	10,835,049	76
1995	40.85	11,431,467	80
1996	43.14	12,902,335	77
1997	46.50	14,723,342	71
1998	45.91	14,896,023	77
1999	51.81	17,862,353	100

See *Notes to the Schedules of Required Supplementary Information.*
See accompanying *Independent Auditors' Report.*

Actuarial Methods and Assumptions for Valuations Performed June 30, 1999

The entry-age normal actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actuarial experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded, actuarial accrued liabilities are amortized to produce payments (principal and interest), which are expressed as a percent of payroll. A closed 36-year amortization period was used for the June 30, 1999, valuations. The actuarial value of assets is based on a method that fully recognizes expected investment return and averages unanticipated market return over a 3-year period. The investment return rate used is 8.5 percent per year, compounded annually (net after investment expenses). The inflation rate assumption used is 4.5 percent per year. Projected salary increase assumptions are based on 4.5 percent per year for wage inflation plus an additional 0.0 percent to 2.7 percent per year for the MSEP and 0.0 percent to 1.6 percent per year for the ALJLAP and Judicial Plan (depending on age, attributable to seniority, and/or merit increases). The assumption used for annual postretirement benefit increases is 4.25 percent, (on a compound basis), when a minimum cost-of-living adjustment (COLA) of 4 percent is in effect, and 3.6 percent (on a compound basis), when no minimum COLA is in effect.

Factors That Significantly Affect Identification of Trends

1990 - The board of trustees approved a change in the actuarial rate of return assumption from 8 percent to 8.5 percent beginning with the valuations performed as of June 30, 1990.

	Amount	Percent of Payroll
MSEP		
Change in assumptions	$(16,205,924)	(1.63)%
Experience and nonrecurring items	(2,883,263)	(.29)
ALJLAP		
Change in assumptions	(42,277)	(2.21)
Experience and nonrecurring items	21,234	1.11

1991 - The actuarial valuations as of June 30, 1991, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1993.

	Amount	Percent of Payroll
MSEP		
Change in benefits	$719,403	.07%
Experience and nonrecurring items	(411,088)	(.04)
ALJLAP		
Experience and nonrecurring items	43,849	2.26

1992 - The actuarial valuations as of June 30, 1992, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1994.

	Amount	Percent of Payroll
MSEP		
Change in benefits and assumptions	$(4,017,939)	(.39)%
Experience and nonrecurring items	2,060,482	.20
ALJLAP		
Change in assumptions	(23,293)	(1.35)
Experience and nonrecurring items	(38,649)	(2.24)

1994 - The actuarial valuations as of June 30, 1994, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1996.

	Amount	Percent of Payroll
MSEP		
Change in benefits and assumptions	$31,496,136	2.80%
Experience and nonrecurring items	(12,935,913)	(1.15)
ALJLAP		
Change in benefits and assumptions	21,359	1.02
Experience and nonrecurring items	(49,420)	(2.36)

1996 - The actuarial valuations as of June 30, 1996, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1998.

	Amount	Percent of Payroll
MSEP		
Change in benefits and assumptions	$(1,774,647)	(0.14)%
Experience and nonrecurring items	(1,521,126)	(0.12)
ALJLAP		
Change in benefits and assumptions	(43,572)	(1.61)
Experience and nonrecurring items	(35,994)	(1.33)

1997 - During the year ended June 30, 1997, the MSEP experienced a net change of $1,043,921,000 in the actuarial accrued liability. Of the change, $660,195,000 was attributable to plan amendments, and $53,365,000 was attributable to a change in actuarial assumptions.

During the year ended June 30, 1997, the ALJLAP experienced a net change of $1,150,818 in the actuarial accrued liability. Of the change, $1,055,550 was attributable to plan amendments.

During the year ended June 30, 1997, the Judicial Plan experienced a net change of $35,738,463 in the actuarial accrued liability. Of the change, $23,140,721 was attributable to plan amendments.

The actuarial valuations as of June 30, 1997, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1999.

	Amount	Percent of Payroll
MSEP		
Change in benefits and assumptions	$44,188,842	3.25%
Experience and nonrecurring items	(14,548,326)	(1.07)
ALJLAP		
Change in benefits and assumptions	45,565	1.59
Experience and nonrecurring items	(73,076)	(2.55)
Judicial Plan		
First year for funding of benefits previously paid on a pay-as-you-go basis	16,404,653	51.81

1998 - The actuarial valuations as of June 30, 1998, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2000.

	Amount	Percent of Payroll
MSEP		
Experience and nonrecurring items	$(9,780,072)	(0.67)%
ALJLAP		
Experience and nonrecurring items	39,290	1.40
Judicial Plan		
Experience and nonrecurring items	684,614	2.11

1999 - The actuarial valuations as of June 30, 1999, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2001.

	Amount	Percent of Payroll
MSEP		
Change in benefits	$ 6,258,206	0.40%
Experience and nonrecurring items	(11,264,771)	(0.72)
ALJLAP		
Change in benefits	72,914	2.09
Experience and nonrecurring items	4,535	.13
Judicial Plan		
Change in benefits	321,123	.94
Experience and nonrecurring items	150,313	.44

Required Supplementary Information (Unaudited)

Year 2000 Compliance Review

The year 2000 issue is the result of shortcomings in electronic data processing systems and other electronic equipment that may adversely affect computer related operations as of January 1, 2000. MOSERS has developed and implemented procedures to ensure all internal and external information systems employed by MOSERS or MOSERS' business affiliates are year 2000 compliant. MOSERS does not anticipate incurring material additional costs related to year 2000 compliance.

The stages used to describe the MOSERS' year 2000 implementation process are as follows:

Awareness Stage

The most critical internal computer program at MOSERS is the Missouri Integrated Benefit System (MIBS), which was developed and implemented by Arthur Andersen in the late 1980s and runs on an IBM AS/400 system. Anticipating potential year 2000 problems, the Information Technology (IT) staff began rewriting some of the MIBS' programs in the early 1990s. In 1995, the IT staff determined that the entire MIBS' conversion process would begin in early 1996 and would need to be completed by October 1998.

MOSERS also created a year 2000 project team whose members include the internal auditor, chief counsel, IT manager, and the manager (or a designated representative) from each of the remaining operational sections. The project team was created in order to educate and involve all staff levels at MOSERS, as well as to focus on determining year 2000 compliance of all external vendors who were essential to the operations of each section. A spreadsheet was developed listing all vendors and external software programs that may have an effect on MOSERS' operations if they were not year 2000 compliant. The spreadsheet also included the year 2000 status of each program and the section manager responsible for ensuring compliance on a timely basis.

Assessment Stage

The assessment stage for MOSERS began in the early 1990s. At that point, it was discovered that some of the MIBS' programs and other programs on the AS/400 would have an imminent "time horizon to failure" considerably before the turn of the century. These programs were scheduled to be reprogrammed first during the conversion process. The IT department determined that a repair strategy would be used to fix all programs within the AS/400 system. Special software was used to inventory and identify all files, screens, programs, queries, etc. that had or used date fields. These data files were then evaluated to determine which should be converted and which have no dates or are no longer used. Once all data files in need of repair were identified, the IT department determined that a date expansion approach would be the more appropriate method to use to repair the system.

Other than the AS/400 system, no other system affecting the operations of MOSERS was repaired. However, some systems were replaced. For example, the general accounting software package has been replaced by a package that is year 2000 compliant. Program upgrades were received for other systems from vendors that updated the programs to be year 2000 compliant.

Remediation Stage

The remediation or correction stage for the majority of the AS/400 programs began in 1996. Two IT programmers and a supervisor worked on the conversion process part-time that year. Some IT programmers devoted 100 percent of their time to the project beginning mid 1997, while the supervisor continued on a part-time basis. The first step in the correction stage was to create a test environment library, called "century library" (CENLIB). Next, all date field codes within the data files, screens, and programs were changed from two digits to four digits. The converted data files, screens, and programs were stored in CENLIB. The conversion process was completed in June 1998 and was ready to be tested.

Validation/Testing Stage

The year 2000 project plan developed by MOSERS includes extensive testing procedures for the converted MIBS' programs. Initially, every screen and program was reviewed and tested within the test library as they were completed. In June 1998, live data from the MIBS' production files were converted into CENLIB data files in order to run a parallel system. Each time a production job was run on MIBS, the same job was run on CENLIB and the output was then compared for accuracy. During the last week of August 1998, various users from different departments were asked to log-on and test the screens of CENLIB. The results from these tests were satisfactory, and the August monthly update reports balanced to the penny. As a result, the new MIBS' data from the CENLIB was implemented over the weekend of August 28, 1998.

The most effective method of testing data for year 2000 compliance is to roll the dates forward on the system and run the system as if it was year 2000. In order to minimize the chances of corrupting the operating system, the IT staff leased another AS/400 system and rolled the dates forward in a controlled testing environment. The process involved: (1) loading all the MIBS' data onto the leased AS/400; (2) rolling the date forward to 1/1/2000 and (3) running the system parallel to the regular MIBS' system for three months. This process tested the integrity of data from the December 31, 1999, to March 31, 2000, which includes many potential problem dates besides January 1, 2000, such as February 29, 2000, (leap year). The tests were completed in April 1999, and no problems were found.

Conclusion and Contingency Planning

Due to the unprecedented nature of the year 2000 issue, the effects and success of the remediation, testing, and validation efforts by MOSERS will not be fully determinable until the year 2000 and thereafter. While management is confident that the combined efforts of the MOSERS' staff and outside service providers will allow MOSERS to operate and accomplish its critical missions beyond December 31, 1999, management cannot guarantee the efforts will be successful in whole or in part or that parties with whom MOSERS does business will be year 2000 ready. Contingency plans have been established for mission critical services in case there are problems.

See accompanying *Independent Auditors' Report*.

Missouri State Employees' Retirement System

Schedule of Administrative Expenses

Year Ended June 30, 1999

	Pension Trust Funds				Internal Service Fund
	Missouri State Employees' Plan	**Administrative Law Judges' and Legal Advisors' Plan**	**Judicial Plan**	**Total (Memorandum Only)**	**Missouri State Insurance Plan**
Personal services					
Salaries	$ 2,496,474	$ 5,971	$ 2,241	$ 2,504,686	$ 297,943
Employee fringe benefits	627,756	1,502	564	629,822	74,887
Total personal services	3,124,230	7,473	2,805	3,134,508	372,830
Professional services					
Actuarial services	131,419	314	118	131,851	0
Attorney services	88,420	212	79	88,711	0
Auditing services	24,903	60	22	24,985	3,248
Banking services	16,168	39	15	16,222	675
Consulting services	253,945	608	228	254,781	2,500
Total professional services	514,855	1,233	462	516,550	6,423
Communications					
Postage and mailing	239,121	572	215	239,908	5,877
Telephone	85,491	205	77	85,773	9,749
Printing	226,645	542	203	227,390	41,570
Total communications	551,257	1,319	495	553,071	57,196
Building and grounds					
Depreciation	109,379	262	98	109,739	16,207
Utilities	61,492	147	55	61,694	6,829
Maintenance	21,257	51	19	21,327	2,385
Total building and grounds	192,128	460	172	192,760	25,421
Equipment					
Depreciation	308,686	738	277	309,701	59,232
Maintenance	209,801	502	188	210,491	21,540
Rental	55,277	132	50	55,459	6,717
Loss on sale of equipment	26,204	63	24	26,291	0
Total equipment	599,968	1,435	539	601,942	87,489
Travel and meetings					
Board travel and meetings	20,973	50	19	21,042	2,237
Staff travel and meetings	147,156	352	132	147,640	19,166
Vehicle maintenance and operation	1,927	5	2	1,934	226
Total travel and meetings	170,056	407	153	170,616	21,629
General					
Educational materials	60,064	144	54	60,262	7,048
Office supplies	222,814	533	200	223,547	30,035
Subscriptions and dues	240,306	575	216	241,097	3,116
Insurance	80,910	194	73	81,177	10,553
Advertising	3,463	8	3	3,474	452
Temporary help	2,700	6	2	2,708	352
Physical examinations	425	1	0	426	0
Miscellaneous	53	0	0	53	1
Total general	610,735	1,461	548	612,744	51,557
Total administrative expenses	$ 5,763,229	$ 13,788	$ 5,174	$ 5,782,191	$ 622,545

See accompanying *Independent Auditors' Report.*

Missouri State Employees' Retirement System

Schedule of Investment Expenses

Year Ended June 30, 1999

	Missouri State Employees' Plan	Administrative Law Judges' and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
Investing activity				
Investment management fees				
Fixed income managers				
BlackRock Financial Management L.P.	$ 408,814	$ 978	$ 367	$ 410,159
Hoisington Investment Management Company	149,508	358	134	150,000
Equity managers				
Domestic equities				
American Re Asset Management	79,954	191	72	80,217
Capital Guardian Trust	420,426	1,006	377	421,809
Dimensional Fund Advisors Inc.	381,944	914	343	383,201
Kennedy Capital Management	133,257	319	120	133,696
Oak Associates, Ltd.	239,001	572	215	239,788
Southeastern Asset Management, Inc.	37,139	89	33	37,261
Wilshire Associates, Inc.	86,616	207	78	86,901
Woodford Capital Management	92,695	222	83	93,000
Zak Capital, Inc.	414,729	992	372	416,093
International equities				
Deutsche Bank	262,933	629	236	263,798
Morgan Grenfell Investment Services Limited	663,565	1,587	596	665,748
Silchester International Investors	1,451,422	3,472	1,304	1,456,198
Other managers				
Venture capital				
Brinson Partners, Inc.	3,610	9	3	3,622
Diversification pool				
NISA Investment Advisors, LLC	165,216	395	148	165,759
Cash manager				
Deutsche Bank	77,946	186	70	78,202
Total investment management fees	5,068,775	12,126	4,551	5,085,452
Other investment fees				
Investment consultant fees				
Summit Strategies, Inc.	201,545	482	181	202,208
Investment custodial fees				
Deutsche Bank	582,133	1,393	523	584,049
Performance measurement fees				
Deutsche Bank	48,453	116	44	48,613
Portfolio transition costs				
Deutsche Bank	77,168	185	69	77,422
Total investing activity expenses	5,978,074	14,302	5,368	5,997,744
Securities lending activity				
Securities lending borrower rebates	10,757,291	25,735	9,658	10,792,684
Securities lending management fees				
Deutsche Bank	272,842	653	245	273,740
Total securities lending activity expenses	11,030,133	26,388	9,903	11,066,424
Total investment expenses	$ 17,008,207	$ 40,690	$ 15,271	$ 17,064,168

See accompanying *Independent Auditors' Report.*

Missouri State Employees' Retirement System

Schedule of Professional/Consultant Fees

Year Ended June 30, 1999

		Pension Trust Funds				Internal Service Fund
Professional /Consultant	**Nature of Service**	**Missouri State Employees' Plan**	**Administrative Law Judges' and and Legal Advisors' Plan**	**Judicial Plan**	**Total (Memorandum Only)**	**Missouri State Insurance Plan**
Gabriel, Roeder, Smith & Co.	Actuary	$ 131,419	$ 314	$ 118	$ 131,851	$ 0
Thompson Coburn	Legal counsel	88,171	211	79	88,461	0
Goffstein, Raskas, Pomerantz	Legal services	249	1	0	250	0
KPMG LLP	Auditor	24,903	60	22	24,985	3,248
Central Bank	Banking service	16,169	39	15	16,223	675
Jack Pierce	Governmental pension consultant	19,934	48	18	20,000	0
Charlesworth & Associates	Risk consultant	5,382	13	5	5,400	0
FileNet	Optical disk file conversion	50,713	121	46	50,880	0
Gabriel Roeder, Smith and Co.	Rewrite of Chapter 104, RSMo	40,251	96	36	40,383	0
Wood Writing and Consulting	LTD and life handbook rewrite	2,492	6	2	2,500	2,500
Carver Governance Design, Inc.	Board governance education	15,479	37	14	15,530	0
Evers & Company CPAs, LLC	Board election	16,944	41	15	17,000	0
Cherry Street Design	Space design consulting	960	2	1	963	0
LemmonTree Consulting Group	Communications audit	3,987	9	4	4,000	0
Telephone Doctor	Telephone etiquette training	3,171	7	3	3,181	0
MIC	Software implementation	93,517	225	83	93,825	0
PeopleSoft	Software implementation	1,114	3	1	1,118	0
Total professional/consultant fees		$ 514,855	$ 1,233	$ 462	$ 516,550	$ 6,423

See accompanying *Independent Auditors' Report.*

Information on investment management and consulting fees can be found in the *Schedule of Investment Expenses* on page 37.

Missouri State Employees' Retirement System

Investment Summary
Pension Trust Funds

Year Ended June 30, 1999

Type of Investment	June 30, 1998 Cost Value	June 30, 1998 Fair Value	Purchases and Capital Additions at Cost	Sales and Redemptions at Cost	June 30, 1999 Cost Value	June 30, 1999 Fair Value	Percent of Total Fair Value
Fixed income							
Treasury bonds, notes, and bills	$ 485,795,957	$ 529,721,414	$ 647,871,772	$ 763,276,078	$ 370,391,651	$ 381,595,105	7.57%
Govt. bonds and govt. mortgage-backed securities	363,399,258	371,978,217	11,786,595,069	11,566,739,437	583,254,890	575,051,996	11.41
Corporate bonds	355,638,187	363,947,966	765,492,836	519,967,947	601,163,076	585,147,986	11.61
Convertible bonds	2,401,669	2,558,435	6,850,765	9,252,434	0	0	0.00
Collateralized mortgage obligations	31,726,519	35,090,072	150,384,038	149,519,673	32,590,884	32,227,943	0.64
Guaranteed investment contracts	4,040,817	4,040,817	40,263	4,081,080	0	0	0.00
Total fixed income	1,243,002,407	1,307,336,921	13,357,234,743	13,012,836,649	1,587,400,501	1,574,023,030	31.23
Common stock	1,820,311,828	2,299,212,634	3,225,110,393	3,091,254,048	1,954,168,173	2,430,635,474	48.22
Preferred stock	3,064,373	2,928,487	4,237,501	7,289,342	12,532	79,589	0.00
International investments							
International equities	415,182,208	463,272,250	320,912,851	203,620,757	532,474,302	619,940,988	12.30
International corporate bonds	10,378,581	11,034,485	39,805,477	24,031,365	26,152,693	25,714,208	0.51
Foreign currency	4,871,406	4,449,546	10,258,050	10,617,843	4,511,613	4,794,773	0.10
EAFE index fund	256,830,406	350,629,310	0	8	256,830,398	378,181,469	7.50
Total international investments	687,262,601	829,385,591	370,976,378	238,269,973	819,969,006	1,028,631,438	20.41
Real estate							
Equity holdings	7,330,533	6,824,167	0	0	7,330,533	6,810,001	0.14
Closed-end real estate fund	1,760,190	1,533,142	0	0	1,760,190	90,007	0.00
Total real estate	9,090,723	8,357,309	0	0	9,090,723	6,900,008	0.14
Venture capital limited partnerships	987,148	404,202	0	117,956	869,192	323,138	0.01
Investments (per Statements of Plan Net Assets page 19)	3,763,719,080	4,447,625,144	16,957,559,015	16,349,767,968	4,371,510,127	5,040,592,677	100.00%
Short-term investments							
Short-term investment funds	118,259,729	118,259,729	3,392,415,444	3,410,524,642	100,150,531	100,150,531	
Repurchase agreements	1,149,687	1,149,689	162,083,937	161,808,261	1,425,363	1,425,363	
Total short-term investments	119,409,416	119,409,418	3,554,499,381	3,572,332,903	101,575,894	101,575,894	
Invested securities lending collateral							
Corporate bonds	49,001,458	49,052,700	0	49,001,458	0	0	
Short-term investment funds	260,975,169	260,975,169	2,594,431,141	2,766,424,676	88,981,634	88,981,634	
Total invested securities lending collateral	309,976,627	310,027,869	2,594,431,141	2,815,426,134	88,981,634	88,981,634	
Total investments	$4,193,105,123	$4,877,062,431	$23,106,489,537	$22,737,527,005	$4,562,067,655	$5,231,150,205	

See accompanying *Independent Auditors' Report.*

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS' office.

Missouri State Employees' Retirement System

Investment Summary
Internal Service Fund

Year Ended June 30, 1999

	June 30, 1998				June 30, 1999		
Type of Investment	**Book Value**	**Fair Value**	**Purchases**	**Sales and Redemptions**	**Book Value**	**Fair Value**	**Percent of Total Fair Value**
Repurchase agreements	$ 575,058	$ 575,058	$ 285,857,544	$ 285,770,614	$ 661,988	$ 661,988	100%

See accompanying *Independent Auditors' Report.*

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS' office.

Investment Section

INNOVATION

Transforming Technology and Imagination Into the Extraordinary

Summit *Strategies Group*
7700 Bonhomme Ave.
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St. Louis, MO 63105
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314-727-6068 Fax

August 25, 1999

The Board of Trustees
Missouri State Employees' Retirement System
907 Wildwood Drive
Jefferson City, MO 65109

Dear Board Members:

It is a pleasure once again to comment on the results, evolution, and future of the investment portfolio and fund management efforts at MOSERS. In many ways, the foundations put in place in the last twelve months are more significant than any decisions the board has made in my decade of association with the fund; and yet, the enhancement areas I am referring to might go unnoticed by most observers. They are subtle, yet powerful, and will have an enormous impact on the future success of MOSERS. Before I get to them, however, let me spend a moment highlighting another productive year of investment results.

During the 1999 fiscal year, MOSERS surpassed the $5 billion asset level. Total asset growth was $509 million, with $40 million coming in net contributions and almost $470 million coming from investment returns. This translates to a return of 10.9 percent for the year. In every year over the past decade, the fund has returned double digit returns, with a 10-year annualized return of 12.2 percent. To put this type of return in perspective, every dollar invested on June 30, 1989, has grown to $3.16. This is evidence of the most extraordinary decade (actually almost two decades as the bull market goes back to 1982) in investment history. All returns have been calculated in compliance with Performance Measurement Reporting Standards established by the Association for Investment Management and Research (AIMR).

In my letter in last year's annual report, written in September 1998, I discussed the risk the market was experiencing at the time, as Russia and Latin America followed Asian markets down and hedge fund activity here in the United States was potentially threatening the financial industry. Since then, the markets have rebounded strongly as concerns have shifted from possible global collapse to the current fear of too much global success. This dramatic turnaround in a relatively short period highlights a few, very important concepts: (1) somebody is always worrying about something, so that while the cause of the concern can change daily, the mood of concern is ever-present; (2) most of these concerned people will be wrong, not only about what they are concerned about but what it means to the markets; and (3) the market is going to do what it does in spite of these efforts to first predict and then explain it.

In the last year, huge advancements in the way this fund considers risk have been developed and put into place. Critical to this exercise is the identification of relevant risks, the proper course of action regarding risk, and the accountability for managing it. As you will see, specific, tangible actions have been taken by the board in this area during the year ended June 30, 1999.

Market Risk - Markets go up and down. Nobody, we are aware of, is any good at repeatedly predicting the short-term direction and magnitude. It is clearly the biggest risk facing the fund, but since we can't control and predict it, we don't worry about it. While markets are very volatile on a day-to-day and even year-to-year basis, they do start to make sense over longer periods of time, and so we must almost ignore the day-to-day and aim for the long term. This means developing a long-term plan on total fund risk exposure, diversifying prudently, managing the assets so that the actual fund is very close to the long-term plan, and letting the markets get you to where they're going to take you.

Long-term focus, a clear plan, and the discipline to ignore the "emotional" noise of the day are the keys to investment success. This has been and is currently in place at MOSERS as firmly as any plan for which we work.

Variance - While the markets go up and down, there is also the risk that the markets go up in an asset class that we have in the portfolio, but our assets don't go up or up as much. This can and will happen when you own just a segment of the market or if the holdings in the fund are very different than the market. For instance, if you owned a portfolio of large United States company stocks but did not own technology stocks, your returns in fiscal 1999 would be less than half that of the broad United States stock market. This is called variance and is a very real, short-term risk for most pension funds. It is identifiable and controllable, and therefore, we spend a lot of time on the issue. In the past year, the equity manager structure was realigned to minimize this risk and software tools are being used to identify this risk on a real-time basis. While the changes to the manager line-up have been significant (the dollars involved are very large), the key, long-term result is the adoption of the philosophy, policy, and tools necessary to know where this type of variance exists in the portfolio, actively decide to accept this variance, and monitor its potential effect on the portfolio.

Manager Results - There is also the risk that the policy you want is in place, you are properly diversified, and exposed to all the major sectors of the market, but the stocks you own do not perform well. This is the result of a shortfall in the implementation of the program, and implementation is the job of the managers hired by the fund. These include both internal members of the investment staff as well as outside firms brought in for a specific expertise. The tricky part of this situation is being able to understand when a manager's performance shortfall is acceptable and when it is a signal for change. Managers will go in and out of favor and changing managers is very expensive, so getting the decision right is critical. In 1999, the MOSERS' board took a very big step in this area. The decision to hire, fire, or alter the manager line-up within the policy has become the responsibility of staff and the consultant. Policies are in place, responsibility has been delegated, benchmarks have been established, and monitoring periods have been identified. In addition, the board has built financial incentives into the structure so that the people accountable for these decisions are financially aligned with their success. This is revolutionary in the public pension arena and highlights the willingness of the board to be creative, think "outside the box", and adopt positions that may be criticized in order to bring the best structure and environment to this fund.

This annual report contains all of the details, numbers, and portfolio breakdowns that the most avid student of financial reporting could consume. My goal in writing this letter was not to go over the numbers in any detail but rather to convey to the system members what is really going on in the system that will affect their fund for 10-, 20- and 30-years down the road. The results have been great on an absolute basis, thanks to a wonderful bull market. The results have been strong relative to others because of a great deal of hard work. While it would be "folly" to think that the extraordinary returns of the past decade will be achievable for the next ten years, the advancements the board has put in place assure that, whatever the level of the markets, MOSERS will be an efficient, effective, thoughtful participant in achieving the goals of the system.

Sincerely,

Stephen P. Holmes

Stephen P. Holmes, CFA
President

MOSERS

Rick Dahl
Chief Investment Officer

September 1, 1999

Dear Members:

It is a privilege to present this year's investment section of the MOSERS' Comprehensive Annual Financial Report. The following are a few highlights of the year.

- As of June 30, 1999, the pension fund was one of the 200 largest defined benefit plans in the United States with total assets at an all-time high of just over $5.1 billion.
- Total earnings for FY 99 were approximately $509 million, with the fund generating a return of 10.9 percent net of expenses. This return was well above median when compared to funds in our peer group.
- Total earnings for the last five years were nearly $2.7 billion, with the fund generating an annualized rate of return of nearly 16.3 percent net of expenses. This return was better than 75 percent of the 33 funds in our peer group from the Independent Consultants Cooperative Universe.
- For the year, the fund spent approximately $7 million for management of the assets, which was approximately $6.6 million less than the median fund in our peer group.
- MOSERS' internal investment department manages approximately $2.5 billion in assets or approximately 50 percent of the fund. This effectively makes us one of the 300 largest money management organizations in the United States. We are managing these funds with a staff of nine employees and an operating budget just under $400,000 or 1.5 basis points on the assets we manage.

Every year, I contemplate what to talk about with you, the members of MOSERS. This is my one opportunity each year to deliver a message and leave you with some level of comfort that the assets of the system are being prudently managed. What should my message be this year? I could spend the next several paragraphs telling you what I think about the markets and the economy. My guess is, that unless you have been living on a deserted island with no communication with the outside world for the last several years, you do not need me repeating information you hear at least three times a day from some other source. I could explain the structure of the fund and why our performance ended the year where it did, but that information is provided for your review on the following pages of the investment section and I have already touched on the highlights at the beginning of my letter. Therefore, I have chosen to try to give you some insight into the principles that drive our investment program. Some of these principles were imbedded in the investment program when I arrived here nearly six years ago, and many of them have emerged in the last few years. Some of these principles originated with the board, executive director, and with me. Some have been the collective efforts of the many people who work for our organization (both internally and externally). All have been beneficial because they have helped us define how our investment program should be structured. This list is not exhaustive, nor should you look at it as static. The dynamic nature of our business requires that there be a willingness to accept new ideas and concepts, if there is sound evidence in support of them.

Missouri State Employees' Retirement System
907 Wildwood Drive Jefferson City, Missouri 65109
Phone: (573) 632-6100 (800) 827-1063
MO Relay: (800) 735-2466 (Voice) (800) 735-2966 (TT)
www.mosers.org

The principles are broken into two parts: investment management and business management. In my view, both are very important components of running a successful investment management program within a pension fund.

Investment Management

- There seems to be no clear relationship between what you pay for the management of assets and the return you receive net of what you pay; therefore, work hard to keep your expenses low.
- Performance-based fees align interest between investment managers and the plan sponsor; therefore, compensation tied to performance is a good thing.
- Active management, while more intellectually appealing than passive management, tends to disappoint more often than not.
- We should strive to understand all areas of risk and their impact on our investment program.
- We should strive to maintain the level of sophistication and respect our investment program has achieved in the last several years.
- The markets are cyclical, and you must be willing to accept some periods of underperformance in order to achieve your goals.
- The old adage, "more risk, more return" is very true over longer periods of time; in the short term -- all bets are off.
- Diversification is important because market timing is impossible.

Business Management

- The board's role should be one of a governing fiduciary whose responsibility it is to establish clear and sound policies for the managing fiduciaries. Their role should not be one of micro-management.
- The policies established by the board must be effective at controlling risks and aligning the financial interests of all service providers.
- We must prevent emotions from overridding rational behavior during good and bad times.
- We must strive to maintain the high level of knowledge we possess regarding our external service providers and their systems. Without this level of understanding, we potentially expose ourselves to unforeseen risk.
- Valuable experience is occasionally gained through mistakes, and an organization that does not allow its employees the latitude to make them is doing its clients a great disservice.
- Excellence and work ethic must start at the top and filter down.

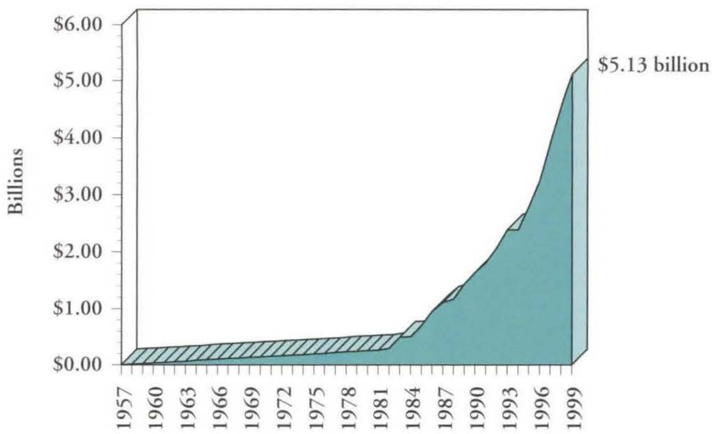
I hope this letter has given you a better understanding of the principles that guide our investment program. We believe our focus is the right one and want you to feel comfortable that the fund is structured to provide you, the members, with the financial security you have earned and should rightfully expect.

Until next year,

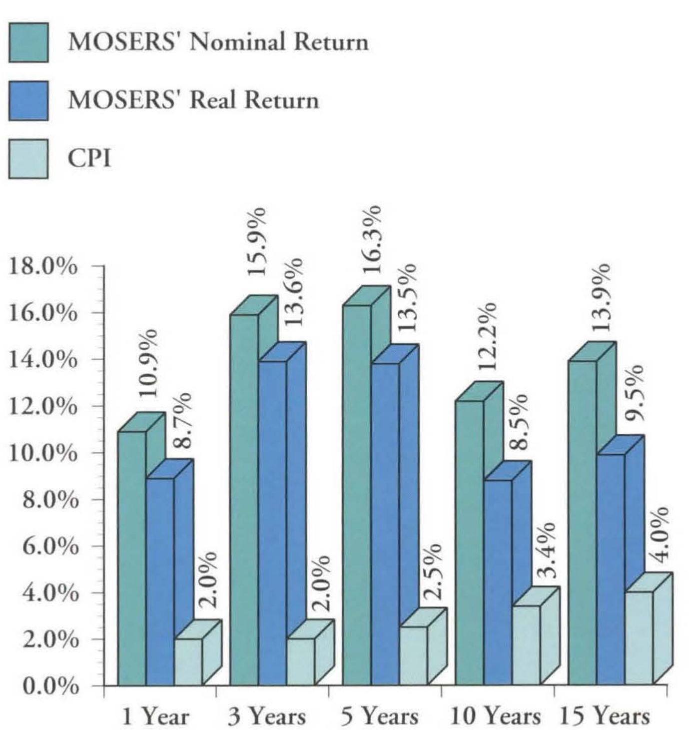
Rick Dahl

Rick Dahl, CFP

42 Years of Growth



MOSERS' Return vs. CPI (Inflation)



CPI Source: United States Department of Labor, Bureau of Labor Statistics (not seasonally adjusted). MOSERS' real return is the excess return over the CPI utilizing the formula: Real = (1 + Nominal)/(1 + CPI) - 1.

Fiduciary Responsibility

The MOSERS' Board of Trustees bears the ultimate fiduciary responsibility for the investment of system assets. Members of the board must adhere to state law and prudent standards of diligence with respect to their duties as investment fiduciaries. Accordingly, they are required to "discharge their duties in the interest of plan participants." They must also "act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims."[1]

Overall Investment Objective

The board's overall objectives with respect to the investment of the MOSERS' assets are:

- Protect the system against future contribution rate increases resulting from failure to achieve reasonable real rates of return (with some allowance for contingencies).
- Protect the portfolio against the negative impact of short-term volatility in various asset classes through diversification.
- Attempt to add incremental return relative to the market, through overweighting certain asset subclasses that have long-term track records of outperformance.
- Attempt to add incremental return relative to the market, through prudent use of active management strategies in areas where inefficiencies seemingly exist.
- Minimize implementation costs without negatively impacting performance through efficient use of internal and external resources.

Real Rate of Return Investment Objective

The MOSERS' actuarial funding objective is to produce real returns that exceed the rate of inflation by 4.0 percent per year. The best known measure of inflation is the CPI. From the lower left graph, one can see the MOSERS' investment returns have exceeded the CPI measure by a wide margin since the early 1980s.[2]

[1] 105.688, RSMo - Investment Fiduciaries, Duties.

[2] All investment returns are reported net of investment fees and are believed to be in full compliance with AIMR and BAI standards.

Policy Asset Allocation

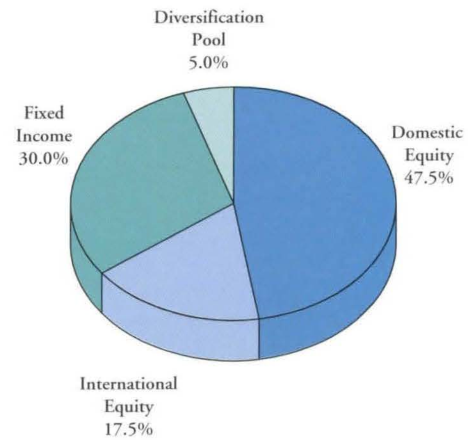
MOSERS' assets are divided into the following asset classes: domestic and international equities, domestic fixed income, and a diversification pool. The resulting portfolio is intended to produce the required real rate of return necessary to fund the pension liabilities within prudent levels of risk. (Real return is the amount by which actual return exceeds the rate of inflation.) The chart at the top depicts the MOSERS' current policy asset allocation, adopted by the board in August 1998.

Due to the fact that different asset classes seldom move in lock step with each other, it is reasonable to expect that over time the actual allocation will differ from the policy mix. The chart in the middle depicts the MOSERS' actual asset mix as of June 30, 1999.

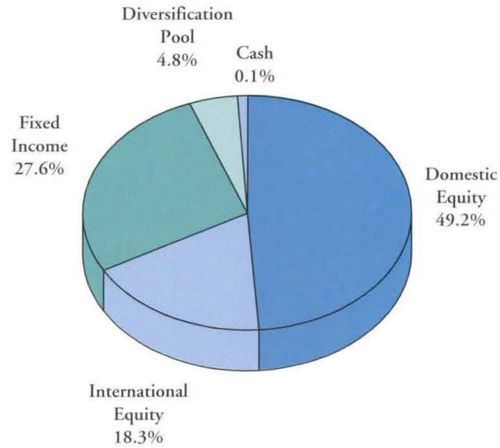
Strategy Asset Allocation

Strategic biases within asset classes are employed to enhance long-term returns within each asset class. A strategic decision should be thought of as any decision that might cause MOSERS' actual return to differ from the return of the policy mix. These strategic allocations may subject the fund to higher return volatility over shorter time frames; however, if successful in their purpose, returns will be enhanced. The chart at the bottom depicts MOSERS' actual strategy mix as of June 30, 1999.

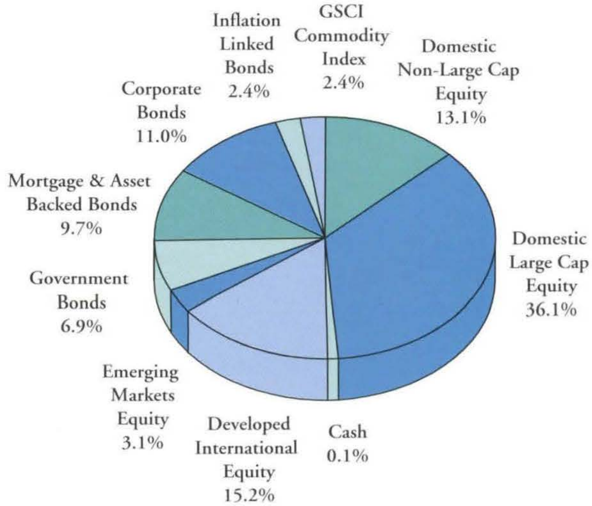
MOSERS' Policy Asset Mix



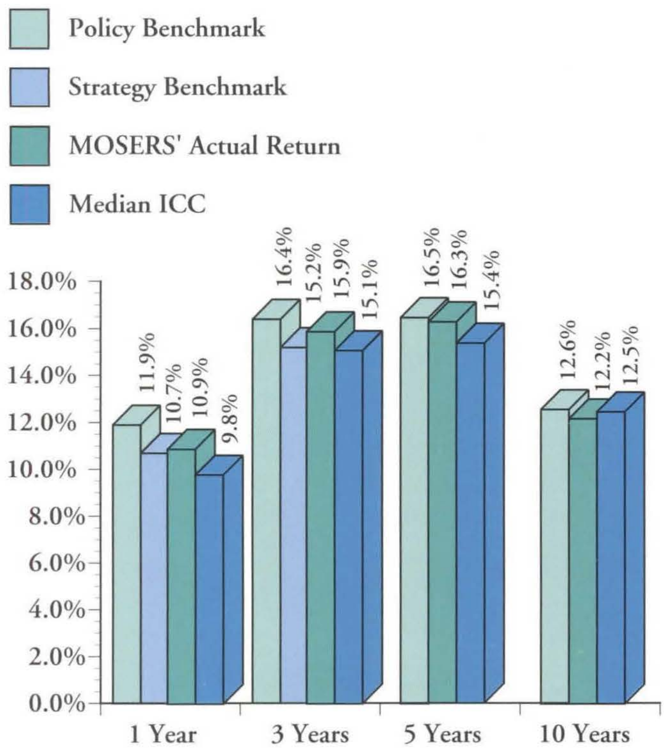
MOSERS' Actual Asset Mix



MOSERS' Actual Strategy Mix



Total Fund Returns



Total Fund Returns and Benchmark Comparisons

In monitoring performance, the board compares the actual returns generated by the fund to the following three benchmarks: the MOSERS' Policy Benchmark, the MOSERS' Strategy Benchmark, and the median return generated by a peer group of public pension funds.

- The policy benchmark provides an indication of the returns that could be achieved (excluding transaction costs) by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in MOSERS' policy asset allocation.
- The strategy benchmark reflects decisions made by the board to strategically deviate from the broad asset classes. The strategy benchmark is more narrowly defined and focuses on any specific "bets" made relative to the policy benchmark. Examples of strategic decisions in the MOSERS' portfolio would be the overweight to small capitalization and value stocks in the domestic equity portfolio and the overweight to corporate issuers in the fixed income portfolio.
- The Independent Consultants Cooperative (ICC) median public fund return reflects a universe of public pension plans with assets in excess of $1 billion.[3]

By comparing the strategy benchmark with the policy benchmark, the board will, over time, be able to judge the success or failure of all decisions made to deviate from the policy allocation. Value is being created from the strategy decision if the strategy return exceeds the policy return.

Similarly, by comparing the actual return to the strategy benchmark, the board will, over time, be able to judge the success or failure of the staff and consultant in implementing the board's strategy. Returns attributed to implementation may take on several forms including active manager selection, the effects of the rebalancing policy, and in general the "staff effect." Value is being added from implementation if the actual return exceeds the strategy return.

The upper left graph shows total fund return comparisons for 1-, 3-, 5-, and 10-year periods. Strategy benchmarks were not clearly defined prior to 1995, which was when MOSERS formally adopted strategic biases.

[3] The ICC is a cooperative of 13 independent investment consultants from across the United States and one major custodial bank that collectively provide performance data in order to create a universe of peer returns. The observed median return is gross of investment management fees and reflects 33 participating funds.

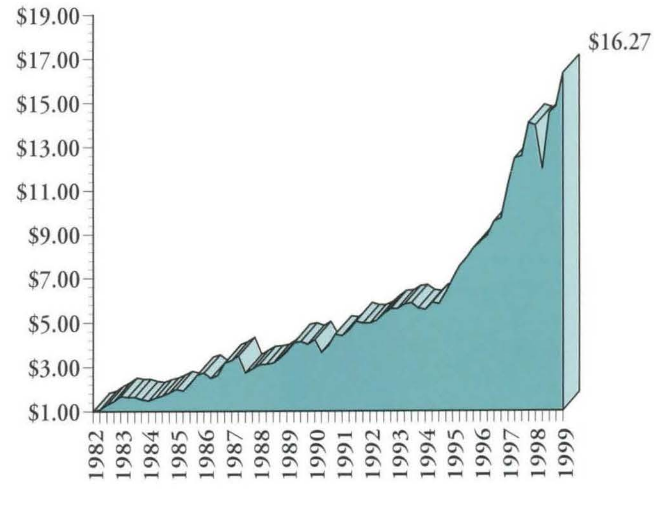
Market Value

As of June 30, 1999, the MOSERS' Domestic Equity Portfolio had a market value of $2.52 billion, representing 49.2 percent of MOSERS' total assets.

Summary of Domestic Equity Investments

MOSERS maintains a significant allocation to publicly held shares of corporations domiciled in the United States. Domestic equities are held in broadly diversified portfolios, and they represent 47.5 percent of the MOSERS' policy asset allocation. Equity investments are expected to contribute significantly to the fund's achievement of a long-term real rate of return in excess of the 4.0 percent objective set by the board, because of their historic return premiums over inflation. The graph to the right depicts the performance of the domestic equity portfolio since 1982 by showing how a $1.00 investment in the portfolio had grown to $16.27 by June 30, 1999.

Growth of a Dollar in Domestic Equities

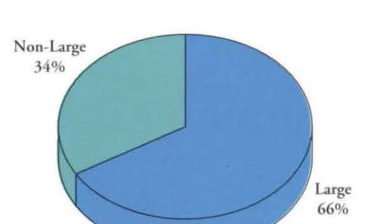


Domestic Equity Portfolio Structure

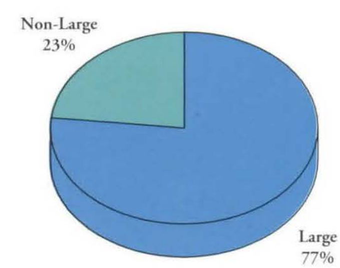
During the 12 months ended June 30, 1999, the MOSERS' Domestic Equity Portfolio was restructured. Four passive equity portfolios were consolidated into two, and the passive allocation was increased from 65 percent to 80 percent. Conversely, the active portfolio allocation was reduced from 35 percent to 20 percent and the mandate was changed to reflect an expectation that active managers in this group would invest in a limited number of "best ideas" stocks. The objectives of the restructuring were to: (1) improve operational efficiency, (2) bring the passive component of the portfolio more closely in line with the policy benchmark, and (3) reduce the active managers' tendency to over-diversify their portfolio rather than focusing on their best investment ideas.

The pie charts to the right compare the MOSERS' Domestic Equity Portfolio to the policy benchmark (the Russell 3000), first by market capitalization (size), then by style. As observed, there is a strategic bias toward non-large and value investment styles which has been retained relative to the policy benchmark, the Russell 3000.

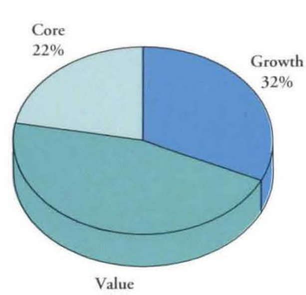
MOSERS' Domestic Equity Portfolio (by size)



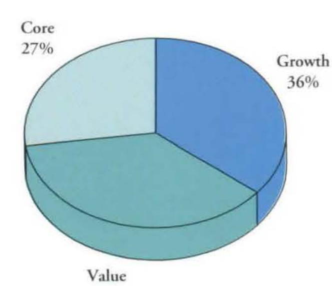
Policy Benchmark (by size)



MOSERS' Domestic Equity Portfolio (by style)



Policy Benchmark (by style)



Domestic Equity Portfolio Statistics

The following table displays the statistical characteristics of the MOSERS' Domestic Equity Portfolio as of June 30, 1999, with comparisons shown to the portfolio's policy benchmark and to the same portfolio as of the end of the prior fiscal year.

Characteristic	June 30, 1999 MOSERS' U.S. Stocks	June 30, 1999 Russell 3000	June 30, 1998 MOSERS' U.S. Stocks
Number of securities	1,060	3,000	1,030
Average market capitalization	$72.5 billion	$84.7 billion	$38.7 billion
Portfolio yield	1.18%	1.23%	1.50%
Portfolio P/E	24.02x	27.60x	19.70x
Portfolio Beta vs. S&P 500 Index	1.01	1.04	0.94
Price/book ratio	4.76x	4.62x	4.80x
Five year earnings growth	17.01%	15.30%	16.75%
Percentage of Russell Top 50	37.10%	46.30%	26.40%

The following table displays MOSERS' ten largest domestic equity holdings as of June 30, 1999, and the ten largest holdings one year prior.

Ten Largest Holdings June 30, 1999[4]	Market Value	Percentage of Total U.S. Stocks	Ten Largest Holdings June 30, 1998	Market Value	Percentage of Total U.S. Stocks
Microsoft	$ 66,966,023	2.7%	General Electric	$ 41,756,154	1.8%
General Electric	48,758,370	1.9	Microsoft	37,287,502	1.6
Cisco Systems	35,784,721	1.4	Coca Cola	29,832,841	1.3
Intel Corporation	33,675,810	1.3	Merck & Company	28,345,057	1.2
Pfizer	33,394,330	1.3	Pfizer	24,842,816	1.1
Bank America	33,154,265	1.3	IBM	24,622,796	1.0
MCI Worldcom	32,056,130	1.3	Walmart	22,821,300	1.0
IBM	31,423,260	1.3	Intel	22,688,921	1.0
Citigroup	30,387,745	1.2	Johnson & Johnson	18,078,200	0.8
Merck & Company	30,084,648	1.2	First Union	17,366,888	0.7

[4] A complete list of holdings is available upon request.

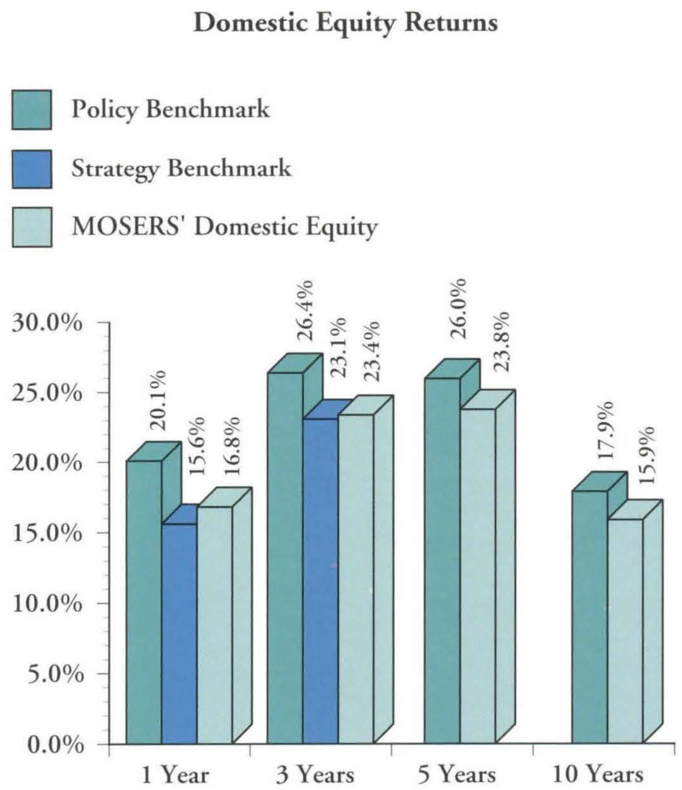
Domestic Equity Portfolio Investment Advisors

As of June 30, 1999, MOSERS had contracts with five external investment advisors targeted to manage 40 percent of the domestic equity portfolio. Internal management of 60 percent of the domestic equity portfolio enables passive participation in a very significant segment of the United States stock market at a very low cost.

The following table displays the external firms that were under contract with MOSERS during FY 99 for management of domestic equity securities. In addition, it shows all internally managed domestic equity portfolios, the managers' investment styles, FY 99 ending portfolio market values, and the managerial fees paid for the fiscal year.

During FY 99, MOSERS released one passive and three active investment advisors from their contracts. One new passive advisor was hired along with two new active advisors.

Investment Advisor	Investment Style	Portfolio Market Value as of June 30, 1999	FY 99 Management Fee
Internal Staff	Passive		
	S&P 500 Index	$1,482,412,139	$132,661
	S&P 500 Value Index	69,491,574	6,219
Dimensional Fund Advisors	Passive		
	Non-Large Value	532,390,603	383,200
Oak Associates	Active		
	All-Cap Growth	136,150,328	239,788
Zak Capital, Incorporated	Active		
	All-Cap Growth	136,053,749	416,093
Capital Guardian Trust Company	Active		
	All-Cap Core	131,162,292	421,809
Southeastern Asset Management	Active		
	All-Cap Value	32,925,721	80,217
American RE Asset Management	Active	0	80,216
Kennedy Capital Management	Active	0	133,696
Wilshire Associates	Passive	0	86,901
Woodford/Gayed Manangement	Active	0	93,000
Total		$2,520,586,406	$2,073,800



Domestic Equity Investment Returns

MOSERS' Policy Benchmark, (the Russell 3000 Index), gained 20.1 percent for the year. The strategy to intentionally diversify holdings, particularly with smaller capitalization and relatively less expensive stocks, failed to add value in FY 99. This can be observed by comparing the 20.1 percent return generated by the policy benchmark to the 15.6 percent return generated by the strategy benchmark. The MOSERS' actual return of 16.8 percent was above the strategy benchmark as the active manager composite outperformed the strategy benchmark.

Over the last few years, it has been very difficult to add value relative to a select few large capitalization growth companies that tend to dominate the broad market indices. While underperformance relative to the broad market is never easy to accept, the board and staff believe that diversification across all capitalization ranges and styles remains a primary fiduciary obligation.

The graph to the left shows 1- and 3-year results as described above and also includes the actual return compared with the policy benchmark for 5- and 10-year periods. The strategy benchmark was not clearly defined before 1995, which was when MOSERS formally adopted strategic biases.

Brokerage Commissions

In the fiscal year ended June 30, 1999, MOSERS generated the following commissions through the purchase and sale of domestic equity securities.

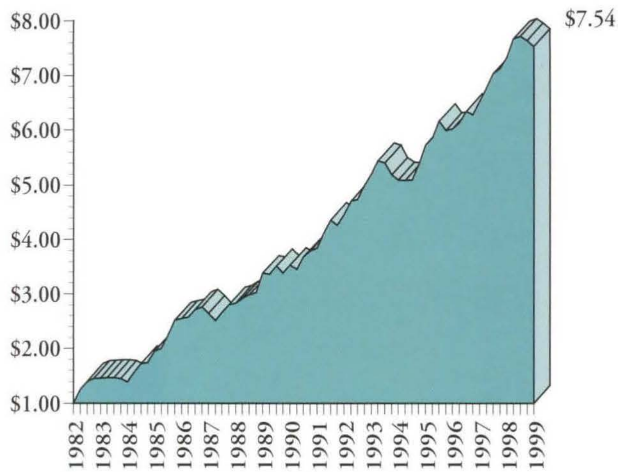
Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Per Share
Instinet Corporation	22,559,346	$ 908,113,698	$ 421,014	$ 0.190
Deutsche Bank	8,264,618	403,229,261	77,421	0.009
Investment Technology	6,848,200	310,271,482	99,049	0.014
Guzman & Company	3,917,828	196,275,621	52,204	0.013
U.S. Clearing Corporation	2,264,075	81,996,819	87,958	0.039
Lynch Jones & Ryan	2,409,100	78,213,143	60,012	0.025
Cantor Fitzgerald	3,316,705	68,186,437	164,099	0.049
Jones & Associates	2,861,272	59,882,520	146,584	0.051
Bear Stearns	1,874,728	56,593,746	109,085	0.058
Pershing	2,776,180	54,100,831	163,798	0.059
Nutmeg Securities	2,597,547	53,121,610	155,562	0.060
Lehman Brothers	1,621,415	42,600,442	94,242	0.058
Rochdale Securities	1,144,200	41,555,801	22,914	0.020
Jefferies & Company	2,378,492	40,959,413	135,832	0.057
Morgan Stanley	1,417,800	38,465,606	77,896	0.055
Furman Selz	1,197,848	35,042,854	71,637	0.060
Merrill Lynch	1,422,020	33,054,054	24,465	0.017
Others (includes 78 brokerage firms)	18,820,790	384,682,220	956,941	0.051
Total	87,692,164	$ 2,886,345,558	$ 2,920,713	$ 0.033
Zero commission trades excluded above	17,234,523	$ 380,568,652		

Soft Dollar Service Expenditures

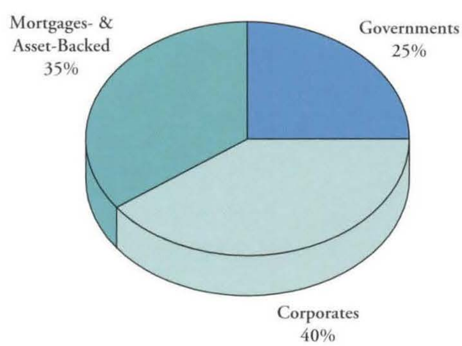
In the fiscal year ended June 30, 1999, MOSERS' United States equity managers declared that $219,053 of the commissions generated were utilized to acquire a variety of services and research information. These expenditures, referred to as "soft dollars", (expendable excess commissions), are permitted under current SEC investment advisor guidelines, and represent 7.5 percent of MOSERS' agency commissions.

Type of Service Acquired	Commissions Used	Percentage of Total
Trading and analytic systems	$ 80,742	37%
Research services	69,691	32
Transaction cost analysis	24,916	11
Market research	23,327	11
Pricing services	7,400	3
Portfolio management systems	6,146	3
Exchange fees, other services	6,831	3
Total	$ 219,053	100%

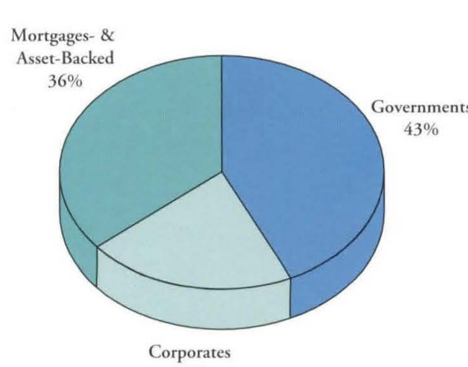
Growth of a Dollar in Fixed Income



MOSERS' Fixed Income Portfolio



Policy Benchmark



Market Value

As of June 30, 1999, the MOSERS' Domestic Fixed Income Portfolio had a market value of $1.41 billion, representing 27.6 percent of the total fund.

Summary of Fixed Income Investments

Domestic fixed income, with a target allocation of 30 percent, serves to diversify the equity risk component within the fund. Bonds have traditionally been regarded as a hedge in a disinflationary or deflationary environment. In most periods, fixed income has provided returns substantially in excess of the inflation rate, although not of the magnitude of equity returns. The cash flow predictability of bonds, however, makes the asset class less volatile than equities. The graph to the left depicts the performance of the fixed income portfolio since 1982 by showing how a $1.00 investment in the portfolio had grown to $7.54 by June 30, 1999.

Domestic Fixed Income Portfolio Structure

As of June 30, 1999, 55 percent of the fixed income portfolio was passively managed. Another 35 percent was managed in an enhanced index style, in which the manager's guidelines were to replicate certain sub-sectors of the bond market. This would allow for some limited trading flexibility with the expectation of capturing additional return relative to the benchmark. The remaining 10 percent was managed in an active duration management style.

The basic portfolio structure was implemented in December 1994. There was one strategic investment change initiated in January 1998 and completed by November 1998. This change involved shifting a portion of the treasury/agency (governments) allocation to corporate bonds and mortgage-backed securities. This was done to capture the long-term, additional performance of higher yielding fixed income securities, without significantly modifying the risk profile of the MOSERS' Fixed Income Portfolio. With each separately managed portfolio being confined to one specific fixed income sector, MOSERS is able to capitalize on each manager's area of expertise. Overall portfolio duration will vary from the broad market by as much as two years, either longer or shorter, depending upon the portfolio profile of the active duration manager.

The pie charts to the left compare sector breakdowns of the MOSERS' Fixed Income Portfolio to the policy benchmark (the Lehman Aggregate). As can be observed, the strategic bias in the fixed income portfolio is to overweight corporate issues through an underweight to governments.

Domestic Fixed Income Statistics

The following table displays the statistical characteristics of the MOSERS' Bond Portfolio as of June 30, 1999, with comparisons shown to the portfolio's policy benchmark and to the same portfolio as of the end of the prior fiscal year.

Characteristic	June 30, 1999 MOSERS' Fixed Income	June 30, 1999 Lehman Aggregate	June 30, 1998 MOSERS' Fixed Income
Total number of securities	229	5,381	192
Current yield	6.5%	6.7%	5.8%
Yield to maturity	6.8%	6.6%	6.0%
Average life/maturity	10.5 years	9.0 years	10.0 years
Adjusted duration	6.1	4.9	5.6
Quality	AAA	AAA	AAA

The following table displays MOSERS' ten largest fixed income holdings as of June 30, 1999, and the ten largest holdings one year prior.

Ten Largest Holdings June 30, 1999[5]	Market Value	Percentage of Total Domestic Bonds	Ten Largest Holdings June 30, 1998	Market Value	Percentage of Total Domestic Bonds
FHLMC 6.5% 2027-2029	$78,114,236	5.5%	USTB 6% 2/15/26	$75,495,296	5.4%
USTB 6% 2/15/26	48,857,226	3.5	BT PYRAMID GOV SECS	74,254,061	5.3
FNMA 6% 2028-2029	33,840,798	2.4	FHLMC 6.0% 2012-2016	35,138,908	2.5
FNMA 6% 2013-2014	33,775,284	2.4	USTN 7.875% 11/15/99	29,063,484	2.1
FNMA 6.50% 2024-2028	29,272,546	2.1	USTB 6.875% 8/15/25	28,802,444	2.1
FNMA 7.50% 2024-2029	28,528,182	2.0	USTB 7.25% 8/15/22	27,161,912	2.0
FHLMC 6.0% 2012-2014	27,466,925	1.9	USTN 5.75% 11/30/02	26,754,709	1.9
GNMA 6.50% 2023-2029	22,992,236	1.6	FHLMC 6.5% 2010-2013	26,541,155	1.9
UST STRIPS 0% 11/15/21	20,270,747	1.4	UST STRIPS 0% 11/15/21	24,344,778	1.7
FNMA 5.50% 2013-2014	20,126,465	1.4	USTB 7.875% 2/15/21	22,205,925	1.6

Key to holdings:

USTB=U.S. Treasury Bond
FHLB=Federal Home Loan Bank
UST STRIPS=0% Coupon U.S. Treasury Obligation
FHLMC=Federal Home Loan Mortgage Corp.
BT PYRAMID= High Quality Money Market Fund
GNMA=Government National Mortgage Assoc.
FNMA=Federal National Mortgage Assoc.
USTN=U.S. Treasury Note

[5] A complete list of holdings is available upon request.

Domestic Fixed Income Investment Advisors

As of June 30, 1999, MOSERS had contracts with two, external investment advisors targeted to manage 45 percent of the fixed income portfolio. Internal management of 55 percent of the fixed income portfolio enables passive participation in a significant segment of the bond market at a very low cost.

The following table displays the external firms that were under contract with MOSERS during FY 99 for management of fixed income securities. In addition, it shows all internally managed fixed income portfolios, the managers' investment styles, FY 99 ending portfolio market values, and the managerial fees paid for the fiscal year.

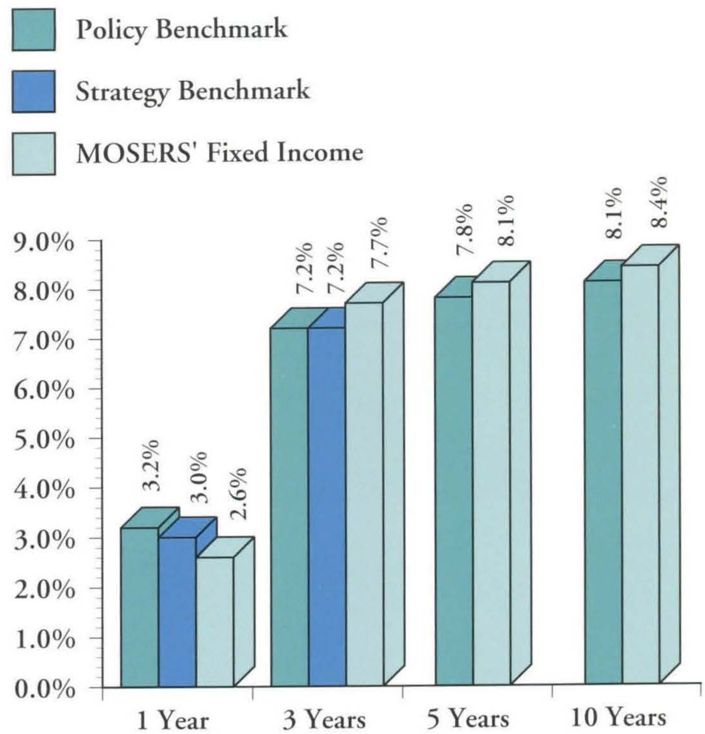
Investment Advisor	**Investment Style**	**Portfolio Market Value as of June 30, 1999**	**FY 99 Management Fee**
BlackRock Financial Management Inc.	Enhanced Index		
	Mortgage-and Asset Backed Securities	$ 499,732,530	$ 410,159
Hoisington Investment Management Co.	Active Duration		
	Treasury Securities	139,193,753	150,000
Internal Staff	Passive		
	Lehman Government Index	214,215,833	42,384
	Lehman Corporate Index	560,917,676	110,980
Total		$ 1,414,059,792	$ 713,523

Domestic Fixed Income Investment Returns

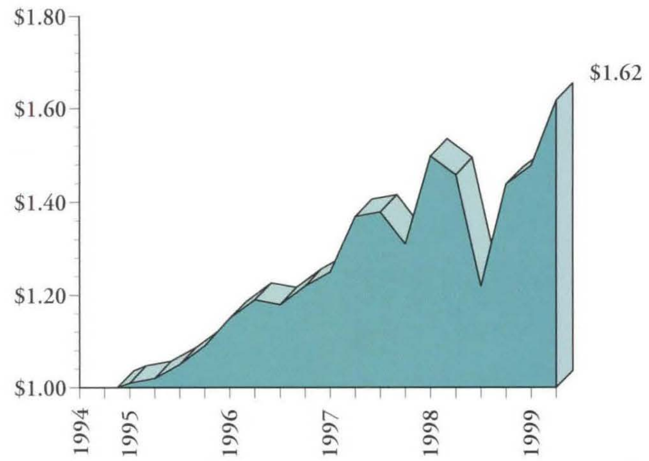
The MOSERS' Policy Benchmark (the Lehman Aggregate Index), gained 3.2 percent for the year. The strategy of intentionally over-weighting the corporate and mortgage sectors of the market failed to add value in FY 99. This can be observed by comparing the 3.2 percent return generated by the policy benchmark to the 3.0 percent return generated by the strategy benchmark. The MOSERS' actual return of 2.6 percent was below the strategy benchmark due to underperformance of the actively managed treasury security portfolio which maintained a longer maturity profile in a rising interest rate environment. While the overall fixed income portfolio produced inferior 1-year returns, the portfolio structure has worked well for the fund over the long term.

The graph to the right shows 1- and 3-year results as described above and also includes the actual return compared with the policy benchmark for 5- and 10-year time. The strategy benchmark was not clearly defined prior to 1995, which was when MOSERS formally adopted strategic biases.

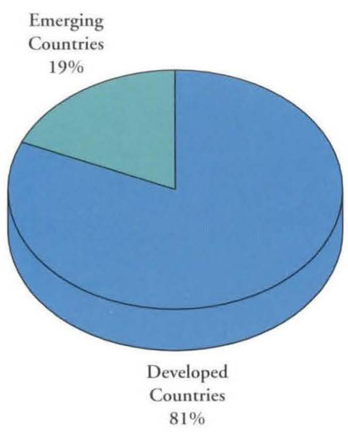
Fixed Income Returns



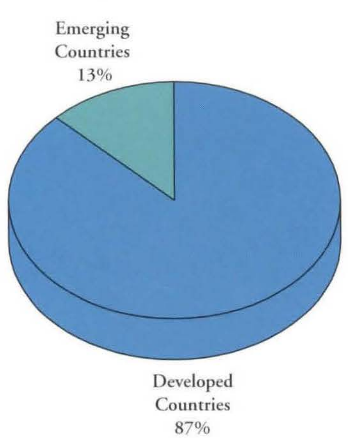
Growth of a Dollar in International Equities



MOSERS' International Equity Portfolio



Policy Benchmark



Market Value

As of June 30, 1999, the MOSERS' International Portfolio had a market value of $937 million, representing 18.3 percent of the total fund.

Summary of International Equity Investments

Non-United States stocks, with a target allocation of 17.5 percent, are employed by the fund primarily because their historical return premiums versus inflation, if realized in the future, will help preserve and enhance the fund's ability to achieve a long-term real rate of return in excess of the 4 percent objective set by the board. Non-United States stocks are also attractive for the diversification benefits they provide to the portfolio. By incorporating non-United States stocks into the asset mix, MOSERS expects to achieve overall equity returns which are comparable to that of a United States stock portfolio while reducing overall portfolio volatility. The graph to the left depicts the performance of the international equity portfolio since 1994, by showing how a $1.00 investment in the portfolio had grown to $1.62 by June 30, 1999.

International Equity Portfolio Structure

As of June 30, 1999, 42.8 percent of the international portfolio was passively managed with the balance of 57.2 percent being managed actively. Non-United States stock investments consist of a Morgan Stanley Capital International Europe, Australia, and Far East (MSCI EAFE) Index Portfolio and two active portfolios. In July 1995, the board hired an active, developed market manager to complement the EAFE Index Portfolio. In July 1996, the board hired an emerging markets manager to round out the global exposure. The MOSERS' policy allows the active managers to hedge currency up to 25 percent, while the passive portfolio is unhedged.

The pie charts to the left show the breakdown of investments in developed markets and emerging markets in the international portfolio compared to the policy benchmark, Morgan Stanley Capital International All Country World X-U.S. (MSCI ACW x-U.S.) Index. As can be observed, the strategic bias in the international portfolio is to overweight emerging markets relative to developed countries.

International Equity Portfolio Statistics

The following table displays the statistical characteristics of the MOSERS' International Stock Portfolio as of June 30, 1999, with comparisons shown to the portfolio's policy benchmark and to the same portfolio as of the end of the prior fiscal year.

Characteristic	June 30, 1999 MOSERS' International Equity	June 30, 1999 MSCI ACW x US	June 30, 1998 MOSERS' International Equity
Number of securities	1229	2018	1387
Average market capitalization	$6.8 billion	$4.6 billion	$5.7 billion
Portfolio yield	2.42%	1.76%	2.30%
Portfolio P/E	25.3x	36.9x	21.2x
Price/book ratio	2.3x	2.7x	2.2x

Ten Largest Holdings June 30, 1999[6]	Market Value	Percentage of International Stocks
Nestle SA (Switzerland)	$ 11,277,001	1.2%
Smith Nephew (United Kingdom)	9,671,296	1.0
Allied Domecq (United Kingdom)	9,497,384	1.0
Den Danske Bank (Denmark)	9,039,629	1.0
Matsushita Elect (Japan)	9,023,138	1.0
BP Amoco (United Kingdom)	8,331,700	0.9
ING Groep (Netherlands)	7,839,390	0.8
Paribas (France)	7,736,566	0.8
Tate & Lyle (United Kingdom)	7,719,420	0.8
Unigate (United Kingdom)	7,581,342	0.8

Ten Largest Holdings June 30, 1998	Market Value	Percentage of International Stocks
Nestle SA (Switzerland)	$ 14,230,674	1.8%
Gas Y Electricidad (Spain)	8,004,109	1.0
Credit Communal (France)	7,927,637	1.0
Matsushita Elect (Japan)	7,857,273	1.0
ING Groep (Netherlands)	7,737,412	1.0
Sedgwick Group (United Kingdom)	7,663,341	1.0
Bayer AG (Germany)	7,534,094	0.9
ABN Amro Holding (Netherlands)	7,336,582	0.9
Sainsbury (United Kingdom)	7,034,113	0.9
Dairy Farm Intl (Singapore)	6,882,618	0.9

[6] A complete list of holdings is available upon request.

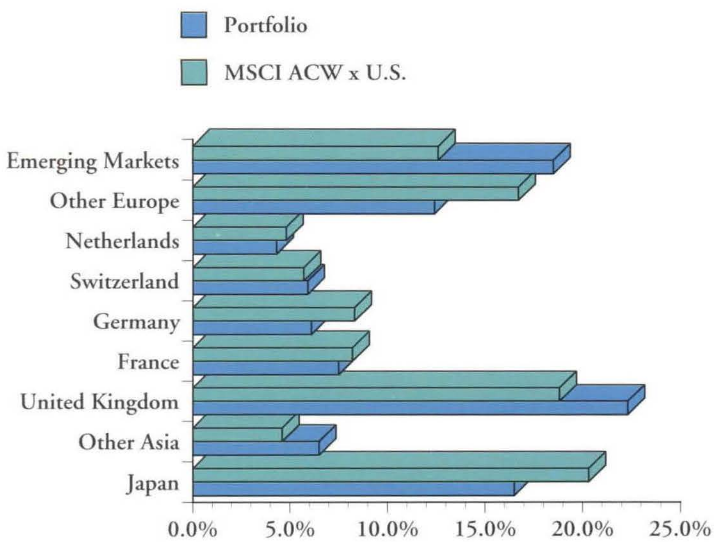
International Equity Portfolio Investment Advisors

As of June 30, 1999, MOSERS had contracts with three external investment advisors for the management of non-United States stock portfolios. One firm is managing an active portfolio in developed markets that is expected to add incremental return over an established benchmark through stock selection, country selection, and small amounts of currency hedging. The second is under a similar mandate in the emerging markets. The third is a passive manager whose portfolio is expected to provide broad market diversification and is designed to track the performance of the developed international markets at a low cost.

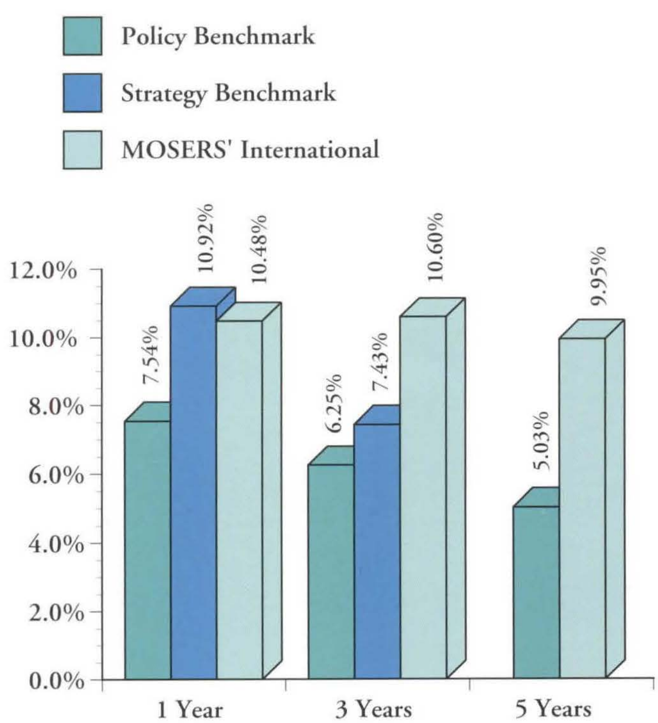
The following table displays the external firms that were under contract with MOSERS during FY 99 for management of international stocks. Also displayed are the managers' investment styles, FY 99 ending portfolio market values, and the managerial fees paid for the fiscal year.

Investment Advisor	Investment Style	Portfolio Market Value as of June 30, 1999	FY 99 Management Fee
Deutsche Bank	Passive MSCI EAFE Index	$ 378,182,782	$ 262,798
Silchester International Investment Limited	Active Value Developed Markets	402,798,233	1,456,196
Morgan Grenfell Investment Services Ltd.	Active Core Emerging Markets	156,377,254	665,748
Total		$ 937,358,269	$ 2,384,742

MOSERS' International Country Allocation



International Equity Returns



The chart to the left displays the MOSERS' country exposure relative to the policy benchmark on June 30, 1999.

International Equity Investment Returns

The MOSERS' Policy Benchmark, the MSCI ACW x U.S. Index gained 7.5 percent for the year. The strategy of intentionally over-weighting the emerging markets added value for the period. This result can be observed by comparing the policy benchmark return of 7.5 percent to the strategic benchmark return of 10.9 percent. MOSERS' actual return of 10.5 percent did not add value relative to the strategic benchmark. This shortfall was caused by the failure of the emerging markets manager to generate returns in excess of the benchmark.

The lower left graph shows 1- and 3-year results as described above and also includes the actual return compared with the policy benchmark for five years. The MOSERS' first allocation to international stocks did not occur until July 1994; therefore, 10-year returns are not applicable.

Brokerage Commissions

In the fiscal year ended June 30, 1999, MOSERS generated the following commissions through the purchase and sale of international equity securities.

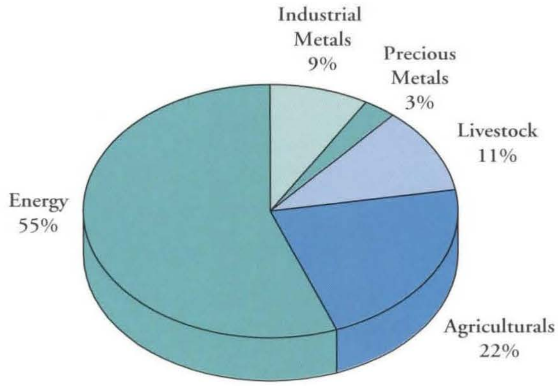
Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Basis Points
ABN Amro	11,460,987	$ 25,855,021	$ 68,551	26.5
Kleinwort Benson	4,912,300	25,297,848	49,399	19.5
SBC Warburg	9,734,881	25,112,425	65,848	26.2
Merrill Lynch	23,491,401	14,079,436	43,319	30.8
Lehman Brothers	1,011,715	11,654,883	33,955	29.1
Credit Lyonnais	6,007,200	11,539,910	41,921	36.3
Smith New Court	1,685,000	10,325,639	18,053	17.5
Goldman Sachs	383,990	10,254,619	30,141	29.4
Instinet	2,093,400	9,333,201	15,415	16.5
Morgan Stanley	2,885,650	8,557,947	18,296	21.4
Schroder Sec	337,370	8,110,643	26,010	32.1
Nomura International	498,600	7,483,557	16,290	21.8
Bear Stearns	3,899,504	6,874,100	23,956	34.8
Cazenove	4,404,700	6,406,550	26,970	42.1
Jardine Fleming	5,242,680	5,485,204	26,630	48.5
Alfred Berg	117,800	5,374,048	16,276	30.3
Societe Generale	470,670	5,323,290	15,918	29.9
Other (includes 32 brokerage firms)	855,030,529	39,001,806	137,246	35.2
TOTAL	933,668,377	$ 236,070,127	$ 674,194	28.6
Zero commission trades excluded above	16,352,477	$ 30,633,715		

Soft Dollar Service Expenditures

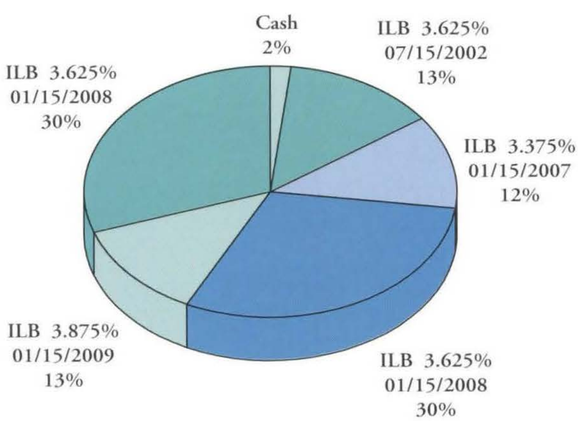
For the fiscal year ended June 30, 1999, MOSERS' current international equity managers declared that $28,675 of the commissions generated were utilized to acquire a broad variety of services and research information. Soft dollars represented less than 4.3 percent of the total agency commissions.

Type of Service Acquired	Commissions Used	Percent of Total
Trading and analytic systems	$ 23,097	81%
Research services	2,895	10
Transaction cost analysis	294	1
Market research	2,389	8
Total	$ 28,675	100%

Commodity Component



Inflation Linked Bond (ILB) Component



Market Value

As of June 30, 1999, the MOSERS' Diversification Pool Portfolio had a market value of $247.3 million, representing 4.8 percent of the total fund.

Summary of Diversification Pool Investments

The decision to fund a 5 percent allocation to diversifying assets was made with the intent of cushioning the fund when downturns in financial assets (i.e., stocks and bonds) are experienced due to strong inflationary forces. While MOSERS has made great efforts to diversify the stock and bond portfolios across countries, sectors, and companies, the board realizes that during periods of extreme market stress due to increasing inflation, these attempts at diversification will not be of much benefit. The pool includes exposure to an unleveraged commodities index and Inflation Linked Bonds (ILBs). Both ILBs and commodities have historically contributed significantly to improving the risk/return profile of a portfolio during severe economic events caused by rapid and/or unexpected inflation.

Investment Portfolio Structure

As of June 30, 1999, a single investment manager was responsible for management of the entire diversification pool. The allocation is split into two equally weighted investments, ILBs and an unleveraged commodities index. The benchmark for the ILB portfolio is the US TIPS subcomponent of the Lehman Global Real Index. The commodities benchmark is the Goldman Sachs Commodities Index (GSCI). Guidelines allow the manager to make minor allocation moves away from the equal weights between the two asset classes. The policy benchmark for this allocation is the CPI plus 3 percent. The strategy benchmark consists of 50 percent GSCI total return minus 50 basis points and 50 percent US TIPS subcomponent of the Lehman Global Real Index.

Diversification Pool Statistics

The pie charts to the left display the makeup of the ILB portfolio and the distribution of the various commodities in the GSCI as of June 30, 1999. The MOSERS' Commodity Portfolio matches the makeup of the GSCI.

Diversification Pool Investment Advisor

As of June 30, 1999, MOSERS had a contract with one external investment advisor for the management of the diversification pool. The manager allocates the funds between the commodity index and inflation linked bonds.

The following table displays the external firm that was under contract with MOSERS during FY 99 for management of the diversification pool assets. Also displayed is the managers style, FY 99 ending portfolio market value, and managerial fees paid for the fiscal year.

Investment Advisor	Investment Style	Portfolio Market Value as of June 30, 1999	FY 99 Management Fee
NISA Investment Advisors	Enhanced Index ILBs, Commodities, and Cash	$239,638,822	$165,760
Total		$239,638,822	$165,760

Diversification Pool Returns

The MOSERS' Policy Benchmark, CPI plus 3 percent gained 3.4 percent from November 1, 1998 (inception date for this account), through June 30, 1999. The strategy of investing half of the allocation in ILBs and half in the commodities index failed to add value in the initial time period. This result can be observed by comparing the policy benchmark return of 3.4 percent to the strategy benchmark return of 1.7 percent. The strategy benchmark is 50 percent U.S. subcomponent of the Lehman Global Real Index and 50 percent GSCI Total Return Index. The MOSERS' actual return of 2.1 percent added value relative to the strategy benchmark.

Cash Portfolio Review

Market Value

As of June 30, 1999, the MOSERS' cash portfolio had a market value of $5.7 million, representing 0.1 percent of the total fund. Average balance of the funds for the MOSERS' liquidity needs during the year was approximately $13 million. The cash invested on behalf of managers averaged $40 million over the same period.

Summary of Cash Investments

Cash investments are employed by the fund to meet liquidity needs and to allow the MOSERS' managers a vehicle for investment of funds during brief periods between the sale of an existing security and purchase of a replacement. This portfolio generally represents less than 1 percent of the total fund.

Cash Portfolio Structure

The portfolio is managed using fixed income securities with investment guidelines designed to achieve preservation of principal, liquidity and the highest credit quality.

Cash Investment Advisor

This portfolio is managed by the MOSERS' internal staff.

Cash Investment Returns

The MOSERS' cash return for the fiscal year was 5.5 percent. This compares favorably to the benchmark 30-day LIBOR plus 10 basis points return of 5.3 percent.

Schedule of Investment Manager Portfolios by Asset Class
Year Ending June 30, 1999

	Market Value June 30, 1998	Net Flows In/Out of Sector	Income Earned	Change in Market Value	Market Value June 30, 1999	Percent of Total Fund
Passive domestic equity stock manager portfolios	$1,546,307,802	$119,087,402	$29,411,384	$389,487,728	$2,084,294,316	40.67%
Active domestic equity stock manager portfolios	800,498,097	(313,370,969)	3,739,999	(54,575,037)	436,292,090	8.51
Total domestic equity stock manager portfolios	2,346,805,899	(194,283,567)	33.151,383	334,912,691	2,520,586,406	49.18
International stock manager portfolios						
Passive EAFE index portfolio	350,632,340	(1,815)	5,830,608	21,721,649	378,182,782	7.38
Active value developed markets portfolio	358,493,221	7,882,293	8,659,913	27,762,806	402,798,233	7.86
Active core emerging markets portfolio	95,322,376	31,503,447	2,285,799	27,265,632	156,377,254	3.05
Total international stock manager portfolios	804,447,937	39,383,925	16,776,320	76,750,087	937,358,269	18.29
Fixed income manager portfolios						
Government bond portfolios	573,156,618	(231,880,000)	22,262,115	(10,129,147)	353,409,586	6.90
Corporate bond portfolio	412,142,488	142,400,000	33,885,316	(27,510,128)	560,917,676	10.94
Mortgage and asset-backed securities portfolio	426,019,118	54,668,028	29,815,368	(10,769,984)	499,732,530	9.75
Total fixed income manager portfolios	1,411,318,224	(34,811,972)	85,962,799	(48,409,259)	1,414,059,792	27.59
Other portfolios						
Inflation linked bond portfolio		114,828,840	2,542,915	(1,169,662)	116,202,093	2.27
Commodities portfolio		118,059,586	5,299,441	77,702	123,436,729	2.41
"Other" investments portfolio	13,058,157	(6,615,697)	1,086,495	102,010	7,630,965	0.15
Cash reserve portfolio	3,121,383	1,356,783	1,258,284		5,736,450	0.11
Total other portfolios	16,179,540	227,629,512	10,187,135	(989,950)	253,006,237	4.94
Total all portfolios	$4,578,751,600	$37,917,898	$146,077,637	$362,263,569	$5,125,010,704	100.00%

Reconciliation to Statement of Plan Net Assets

Total portfolio value	$5,125,010,704
Short-term investment funds	(100,150,531)
Uninvested cash	(287,738)
Accrued income	(34,011,700)
Accounts receivable - securities sold	(92,893,478)
Accounts payable - securities purchased	142,925,420
Investments per Statement of Plan Net Assets.	$5,040,592,677

Actuarial Section

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September 17, 1999

The Board of Trustees
Missouri State Employees' Retirement System
907 Wildwood Drive
Jefferson City, Missouri 65109

Dear Board Members:

The basic financial objective of the Missouri State Employees' Retirement System (MOSERS) is to establish and receive contributions which:

1. When expressed in terms of percents of active member payroll will remain approximately level from generation to generation of Missouri citizens and
2. When combined with present assets and future investment return will be sufficient to meet the present and future financial obligations of MOSERS.

In order to measure progress toward this fundamental objective, MOSERS has annual actuarial valuations performed. The valuations: (i) measure present financial position, and (ii) establish contribution rates that provide for the current cost and level percent of payroll amortization of unfunded actuarial accrued liabilities over a reasonable period. The latest completed actuarial valuations were based upon data and assumptions as of June 30, 1999. These valuations indicate that the contribution rates, established by the board of trustees for the benefits scheduled to be in effect on July 1, 2000, meet the basic financial objective. These contribution rates are 11.59 percent of payroll for 56,158 general employees, 22.32 percent of payroll for 47 administrative law judges, and 55.30 percent of payroll for 366 judges other than administrative law judges.

The actuarial valuations are based upon financial and participant data which is prepared by retirement system staff, and assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death, and disability among MOSERS' members and their beneficiaries. We reviewed the data for internal and year-to-year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the board of trustees based upon the actual experience of MOSERS during the years 1991 - 1995. Assets are valued according to a method that fully recognizes expected investment return and averages unanticipated market return over a 3-year period. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the actuarial section. The changes made since the previous valuation are highlighted on pages 87-89. We provided the information used in the supporting schedules in the actuarial section, the schedules of funding progress in the financial section, as well as the employer contribution rates shown in the schedule of employer contributions in the financial section.

Based upon the valuation results, it is our opinion that the Missouri State Employees' Retirement System continues in sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

Alan E. Sonnanstine

Alan E. Sonnanstine, A.S.A.
Senior Consultant & Actuary

Brad L Armstrong

Brad L. Armstrong, A.S.A.
Consultant & Actuary

AES:BLA:md

Missouri State Employees' Plan

Summary of Actuarial Assumptions

June 30, 1999

Economic Assumptions

The investment return rate used in the valuations was 8.5 percent per year, compounded annually (net after investment expenses). This assumption is used to account for the fact that equal amounts of money payable at different points in time in the future do not have the same value presently.

Pay increase assumptions for individual active members are shown for sample ages on page 68. Part of the assumption for each age is for merit and/or seniority increase, and the other 4.5 percent recognizes wage inflation. This assumption is used to project a member's current salary to the salaries upon which benefits will be based.

The active member payroll is assumed to increase 4.5 percent annually, which is the portion of the individual pay increase assumptions attributable to inflation.

Future COLAs are assumed to be 4.25 percent per year when a minimum COLA of 4 percent is in effect; 3.6 percent per year when no minimum COLA is in effect, or 4.5 percent per year for elected state officials.

The number of active members is assumed to continue at the present number.

Noneconomic Assumptions

The mortality table, for postretirement mortality, used in evaluating allowances to be paid was the 1971 Group Annuity Mortality Table, projected to the year 2000, with a 1-year age setback for men and a 7-year age setback for women. Related values are shown on page 69. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

The probabilities of age and service retirement are shown on page 69. It is assumed that each member will be eligible for one-half year of service credit resulting from unused leave at retirement and service credit purchased.

The probabilities of withdrawal from service, death-in-service, and disability are shown for sample ages on page 68. For disability retirement, impaired longevity was recognized by use of special mortality tables.

The entry age normal actuarial cost method of valuation was used in determining liabilities and normal cost. The normal cost was based on the benefit provisions affecting new employees (MSEP 2000).

> Differences in the past between assumed experience and actuarial experience (actuarial gains and losses) become part of actuarial accrued liabilities.
>
> Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are level percent of payroll contributions.

Employer contribution dollars were assumed to be paid in equal installments throughout the employer fiscal year.

The asset valuation method fully recognizes expected investment return and averages unanticipated market return over a 3-year period.

The data about persons now covered and about present assets was furnished by the system's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

It is assumed that among active members 80 percent are married at retirement, 70 percent of those dying in active service are married, and men are three years older than their spouses.

The liabilities for active members were based on the MSEP benefits, except for general employees with an age at hire of 35 years or less, who were assumed to elect MSEP 2000.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA).

Separations From Active Employment Before Service Retirement and Individual Pay Increase Assumptions

		Percent of Active Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Employee		
		Withdrawal		Death*		Disability		Merit and	Base	Increase
Sample Ages	Years of Service	Men	Women	Men	Women	Men	Women	Seniority	(Economy)	Next Year
	0	28.0%	28.0%							
	1	16.0	16.0							
	2	13.0	13.0							
	3	12.0	12.0							
	4	10.0	10.0							
20	+5	10.0	10.0	.04%	.03%	.00%	.00%	2.7%	4.5%	7.2%
25		10.0	10.0	.04	.04	.04	.02	2.6	4.5	7.1
30		8.8	8.2	.05	.04	.10	.03	2.2	4.5	6.7
35		6.2	5.8	.07	.05	.14	.10	1.9	4.5	6.4
40		4.4	4.7	.10	.07	.18	.15	1.4	4.5	5.9
45		3.4	4.2	.15	.09	.26	.19	1.2	4.5	5.7
50		2.7	3.7	.27	.14	.36	.53	0.7	4.5	5.2
55		1.9	2.6	.49	.24	.69	.74	0.7	4.5	5.2
60		1.2	1.4	.77	.44	1.98	1.59	0.0	4.5	4.5
65		1.0	1.0	1.20	.71	0.00	0.00	0.0	4.5	4.5

* Two percent of the deaths in active service are assumed to be duty-related.

Single Life Retirement Values

Sample Attained Ages	Present Value of $1/Month the First Year Increasing 4.25* Percent Yearly — Service Men	Service Women	Disability Men	Disability Women	Future Life Expectancy (Years) — Service Men	Service Women	Disability Men	Disability Women
40	$ 214.64	$ 226.72	$ 140.38	$ 164.15	38.46	44.22	19.70	26.02
45	202.28	216.86	130.41	156.72	33.73	39.41	17.50	23.70
50	187.99	204.92	119.42	148.39	29.17	34.67	15.35	21.39
55	171.91	190.99	108.73	139.83	24.82	30.06	13.43	19.18
60	153.85	175.27	99.75	130.57	20.70	25.67	11.87	17.01
65	133.91	157.64	92.34	120.03	16.82	21.50	10.56	14.82
70	113.09	138.02	83.34	107.15	13.32	17.57	9.13	12.50
75	93.21	117.24	71.60	90.70	10.36	13.99	7.49	10.00
80	74.25	97.10	56.64	72.75	7.83	10.91	5.66	7.62
85	58.38	77.87	42.52	56.64	5.89	8.29	4.08	5.66

* Increasing 3.6 percent yearly after exceeding 65 percent of the original benefit.

Percent of Eligible Active Members Retiring Next Year

Retirement Ages	Percent Men	Percent Women
50	25.0%	25.0%
51	25.0	25.0
52	25.0	25.0
53	25.0	25.0
54	25.0	25.0
55	5.0	5.0
56	5.0	5.0
57	5.0	5.0
58	5.0	5.0
59	5.0	8.0
60	10.0	10.0
61	20.0	20.0
62	30.0	35.0
63	20.0	20.0
64	30.0	30.0
65	45.0	45.0
66	35.0	25.0
67	30.0	25.0
68	20.0	25.0
69	20.0	25.0
70	30.0	30.0
71	20.0	25.0
72	20.0	25.0
73	20.0	30.0
74	20.0	30.0
75 & Over	100.0%	100.0%

Pension Trust Funds

Summary of Member Data Included in Valuation

June 30, 1999

Active Members

Valuation Group	Number	Payroll	Group Averages Salary	Age (Years)	Service (Years)
Missouri State Employees' Plan					
General employees	52,386	$ 1,397,102,264	$ 26,669	42.4	9.6
Elected state officials	6	551,272	91,879	50.7	7.8
Legislative clerks	121	2,312,163	19,109	48.2	11.6
Legislators	194	5,632,915	29,036	49.7	9.4
Uniformed water patrol	76	2,747,057	36,145	38.5	12.5
Contract employees	3,375	156,205,861	46,283	49.1	13.5
Total MSEP group	56,158	$ 1,564,551,532	$ 27,860	42.8	9.9
Administrative Law Judges' and Legal Advisors' Plan	47	$ 3,488,698	$ 74,228	46.9	8.3
Judicial Plan	366	$ 34,162,013	$ 93,339	52.3	11.1

Retired Lives

Type of Benefit Payment	Number	Annual Benefits	Group Averages Benefit	Age (Years)
Missouri State Employees' Plan				
Retirement	15,290	$ 148,113,412	$ 9,687	71.7
Disability	60	244,603	4,077	57.7
Survivor of active member	936	5,056,943	5,403	58.6
Survivor of retired member	831	5,590,487	6,727	72.2
Total MSEP group	17,117	159,005,445	$ 9,289	71.0
Administrative Law Judges' and Legal Advisors' Plan	24	$ 758,980	$ 31,624	72.7
Judicial Plan	354	$ 12,647,041	$ 35,726	75.3

Others

Group	Terminated Vested	Leave of Absence	Long-Term Disability
Missouri State Employees' Plan	11,094	229	895
Administrative Law Judges' and Legal Advisors' Plan	18	0	0
Judicial Plan	69	0	0

Missouri State Employees' Plan

Active Members by Attained Age and Years of Service

June 30, 1999

Attained Age	Years of Service to Valuation Date: 0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Totals: Number	Totals: Valuation Payroll
Under 20	67							67	$ 1,014,725
20-24	1,988	21						2,009	37,250,065
25-29	5,096	750	25					5,871	132,852,304
30-34	3,673	2,138	626	37				6,474	161,897,056
35-39	3,056	1,843	1,711	712	89			7,411	197,161,175
40-44	2,824	1,722	1,663	1,182	944	63		8,398	236,004,918
45-49	2,350	1,674	1,594	1,163	1,471	788	62	9,102	273,255,308
50-54	1,798	1,433	1,390	973	1,103	1,097	423	8,217	253,395,439
55-59	1,032	842	956	646	670	522	512	5,180	162,469,025
60	124	125	125	87	85	77	108	731	23,453,826
61	114	125	122	82	88	64	91	686	22,140,032
62	92	84	103	64	62	55	64	524	16,735,046
63	56	82	100	49	32	26	44	389	12,150,339
64	42	60	80	38	26	28	33	307	9,532,209
65	26	52	52	33	17	17	28	225	7,399,973
66	18	22	26	23	12	12	9	122	4,272,299
67	14	20	25	14	13	10	13	109	3,435,151
68	9	14	16	11	5	6	9	70	2,278,102
69	9	11	19	6	7	4	6	62	1,927,425
70 and Over	27	20	46	35	31	15	30	204	5,927,115
Totals	22,415	11,038	8,679	5,155	4,655	2,784	1,432	56,158	$ 1,564,551,532

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age	42.8 Years
Service	9.9 Years
Annual pay	$27,860

Administrative Law Judges' and Legal Advisors' Plan

Active Members by Attained Age and Years of Service

June 30, 1999

	Years of Service to Valuation Date							Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number	Valuation Payroll
30-34	1							1	$ 84,142
35-39	3	6	1					10	698,540
40-44	4	6						10	699,671
45-49	1	1	7					9	697,986
50-54	3	3	1	1				8	629,963
55-59	2	1		1	1			5	371,082
62	1				1			2	154,770
64	1							1	84,272
79							1	1	68,272
Totals	16	17	9	2	2	0	1	47	$ 3,488,698

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age	46.9 Years
Service	8.3 Years
Annual pay	$74,228

Judicial Plan

Active Members by Attained Age and Years of Service

June 30, 1999

	Years of Service to Valuation Date							Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number	Valuation Payroll
30-34	4							4	$ 314,916
35-39	11	4						15	1,327,402
40-44	23	8	3	2				36	3,279,171
45-49	23	23	12	6	10			74	6,981,428
50-54	30	24	21	10	19	1		105	9,757,532
55-59	17	14	18	9	10	4		72	6,707,423
60		3		2	1		2	8	769,072
61	1	2	2		2			7	674,365
62			1	1			1	3	291,815
63		2	2		3	1		8	762,286
64		1		2	3			6	595,296
65	1			1	1	1	1	5	469,438
66				1	2	2		5	508,408
67	1		2		1	2		6	567,992
68						1	1	2	185,442
69			2	1	2	1	1	7	678,212
70			1		1	1		3	291,815
Totals	111	81	64	35	55	14	6	366	$ 34,162,013

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:	
Age	52.3 Years
Service	11.1 Years
Annual pay	$93,339

Missouri State Employees' Retirement System

Schedule of Active Member Valuation Data

Six Years Ended June 30, 1999

Missouri State Employees' Plan

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	Percentage of Increase in Average Pay
June 30, 1994	49,436	$ 1,124,862,008	$ 22,754	2.62%
June 30, 1995	50,524	1,198,938,042	23,730	4.29
June 30, 1996	51,425	1,267,605,000	24,650	3.88
June 30, 1997	52,737	1,359,656,666	25,782	4.59
June 30, 1998	54,544	1,459,712,203	26,762	3.80
June 30, 1999	56,158	1,564,551,532	27,860	4.10

Administrative Law Judges' and Legal Advisors' Plan

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	Percentage of Increase in Average Pay
June 30, 1994	36	$ 2,094,062	$ 58,168	2.40%
June 30, 1995	37	2,166,275	58,548	0.65
June 30, 1996	46	2,706,314	58,833	0.49
June 30, 1997	45	2,865,733	63,683	8.24
June 30, 1998	42	2,806,436	66,820	4.93
June 30, 1999	47	3,488,698	74,228	11.09

Judicial Plan

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	Percentage of Increase in Average Pay
June 30, 1994	354	$ 27,006,602	$ 76,290	1.66%
June 30, 1995	357	27,984,008	78,387	2.75
June 30, 1996	366	29,908,056	81,716	4.25
June 30, 1997	365	31,663,101	86,748	6.16
June 30, 1998	365	32,446,141	88,894	2.47
June 30, 1999	366	34,162,013	93,339	5.00

Missouri State Employees' Retirement Plan

Retirees and Beneficiaries Added and Removed

Ten Years Ended June 30, 1999

	Beginning Balance	Additions	Deletions	Ending Balance
FY 90				
Retirees	10,374	866	540	10,700
Beneficiaries	720	102	27	795
FY 91				
Retirees	10,700	898	467	11,131
Beneficiaries	795	91	22	864
FY 92				
Retirees	11,131	936	460	11,607
Beneficiaries	864	117	36	945
FY 93				
Retirees	11,607	996	502	12,101
Beneficiaries	945	107	38	1,014
FY 94				
Retirees	12,101	957	542	12,516
Beneficiaries	1,014	168	47	1,135
FY 95				
Retirees	12,516	1,186	561	13,141
Beneficiaries	1,135	154	46	1,243
FY 96				
Retirees	13,141	1,108	600	13,649
Beneficiaries	1,243	154	42	1,355
FY 97				
Retirees	13,649	1,107	612	14,144
Beneficiaries	1,355	153	43	1,465
FY 98				
Retirees	14,144	1,153	627	14,670
Beneficiaries	1,465	183	67	1,581
FY 99				
Retirees	14,670	1,294	614	15,350
Beneficiaries	1,581	250	64	1,767

Administrative Law Judges' and Legal Advisors' Plan

Retirees and Beneficiaries Added and Removed

Ten Years Ended June 30, 1999

	Beginning Balance	Additions	Deletions	Ending Balance
FY 90				
Retirees	7	2	0	9
Beneficiaries	0	0	0	0
FY 91				
Retirees	9	3	1	11
Beneficiaries	0	2	0	2
FY 92				
Retirees	11	4	1	14
Beneficiaries	2	1	0	3
FY 93				
Retirees	14	2	0	16
Beneficiaries	3	0	0	3
FY 94				
Retirees	16	1	0	17
Beneficiaries	3	0	0	3
FY 95				
Retirees	17	1	1	17
Beneficiaries	3	1	0	4
FY 96				
Retirees	17	0	0	17
Beneficiaries	4	0	0	4
FY 97				
Retirees	17	1	4	14
Beneficiaries	4	3	0	7
FY 98				
Retirees	14	2	0	16
Beneficiaries	7	0	0	7
FY 99				
Retirees	16	1	0	17
Beneficiaries	7	0	0	7

Judicial Plan

Retirees and Beneficiaries Added and Removed

Ten Years Ended June 30, 1999

	Beginning Balance	Additions	Deletions	Ending Balance
FY 90				
Retirees	155	14	5	164
Beneficiaries	108	6	3	111
FY 91				
Retirees	164	23	10	177
Beneficiaries	111	15	4	122
FY 92				
Retirees	177	19	14	182
Beneficiaries	122	8	5	125
FY 93				
Retirees	182	11	10	183
Beneficiaries	125	5	6	124
FY 94				
Retirees	183	15	12	186
Beneficiaries	124	11	4	131
FY 95				
Retirees	186	27	7	206
Beneficiaries	131	8	3	136
FY 96				
Retirees	206	11	10	207
Beneficiaries	136	6	12	130
FY 97				
Retirees	207	6	7	206
Beneficiaries	130	6	9	127
FY 98				
Retirees	206	22	9	219
Beneficiaries	127	31	35	123
FY 99				
Retirees	219	27	14	232
Beneficiaries	123	8	9	122

Pension Trust Funds

Short-Term Solvency Test

Ten Years Ended June 30, 1999

Missouri State Employees' Plan

Fiscal Year	Actuarial Accrued Liabilities for: Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets Available for (1)	(2)	(3)
1990	$ 482,785	$ 520,837,298	$ 1,340,045,133	$ 1,587,114,827	100.0%	100.0%	79.5%
1991	465,307	587,489,069	1,464,646,384	1,793,370,043	100.0	100.0	82.3
1992	455,328	662,010,170	1,629,118,392	1,991,215,165	100.0	100.0	81.6
1993	448,909	743,697,883	1,703,075,268	2,236,558,739	100.0	100.0	87.6
1994	448,559	909,819,763	2,009,188,103	2,425,134,504	100.0	100.0	75.4
1995	448,559	1,010,431,608	2,139,916,413	2,649,077,134	100.0	100.0	76.6
1996	448,559	1,156,347,608	2,283,330,316	2,927,896,643	100.0	100.0	77.6
1997	448,501	1,552,966,747	2,930,632,553	3,580,974,502	100.0	100.0	69.2
1998	447,716	1,688,502,950	3,229,936,517	4,210,635,094	100.0	100.0	78.1
1999	0	1,970,504,367	3,535,464,262	4,908,820,033	100.0	100.0	83.1

Administrative Law Judges' and Legal Advisors' Plan

Fiscal Year	Actuarial Accrued Liabilities for: Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets Available for (1)	(2)	(3)
1990	$ 0	$ 2,479,268	$ 3,789,264	$ 4,093,598	100.0%	100.0%	42.6%
1991	0	3,587,023	3,615,836	4,707,938	100.0	100.0	31.0
1992	0	4,910,423	2,572,992	5,247,546	100.0	100.0	13.1
1993	0	5,615,161	2,549,307	5,864,317	100.0	100.0	9.8
1994	0	5,973,718	2,793,014	6,229,224	100.0	100.0	9.1
1995	0	6,088,732	3,641,223	6,655,207	100.0	100.0	15.6
1996	0	6,196,526	4,079,837	7,258,814	100.0	100.0	26.0
1997	0	6,569,957	4,857,224	8,864,395	100.0	100.0	47.2
1998	0	7,415,852	5,471,056	10,285,233	100.0	100.0	52.4
1999	0	7,883,988	6,890,537	11,763,737	100.0	100.0	56.3

Judicial Plan

Fiscal Year	Actuarial Accrued Liabilities for: Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets Available for (1)	(2)	(3)
1990	$ 0	$ 50,907,136	$ 50,993,604	$ 0	100.0%	0.0%	0.0%
1991	0	57,923,939	61,128,646	0	100.0	0.0	0.0
1992	0	64,240,019	62,900,515	0	100.0	0.0	0.0
1993	0	65,843,955	66,598,009	0	100.0	0.0	0.0
1994	0	70,477,754	71,117,871	0	100.0	0.0	0.0
1995	0	81,586,593	72,060,389	0	100.0	0.0	0.0
1996	0	86,145,180	75,588,930	0	100.0	0.0	0.0
1997	0	99,662,179	97,810,394	0	100.0	0.0	0.0
1998	0	108,392,273	99,187,524	0	100.0	0.0	0.0
1999	0	120,543,611	107,258,730	6,067,305	100.0	5.0	0.0

Derivation of Experience Gain (Loss)

Year Ended June 30, 1999

Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is assumed that gains and losses will be in balance over a period of years, but sizable year to year fluctuations are common. Detail regarding the derivation of the experience gain (loss) for the year ended June 30, 1999, is shown below.

		Funded Benefits $ Millions
(1)	UAAL* at start of year	708.3
(2)	Normal cost from last valuation	137.6
(3)	Actual employer contributions	197.9
(4)	Interest accrual: (1) x .085 + [(2)-(3)] x (.085/2)	57.6
(5)	Expected UAAL before changes: (1) + (2) - (3) + (4)	705.6
(6)	Change from any changes in benefits, assumptions, or methods	121.0
(7)	Expected UAAL after changes: (5) + (6)	826.6
(8)	Actual UAAL at end of year	597.1
(9)	Gain (loss) (7) - (8)	229.5
(10)	Gain (loss) as a percent of actuarial accrued liabilities at start of year ($4,919)	4.7%

* Unfunded actuarial accrued liability.

Valuation Date June 30	Actuarial Gain (Loss) as a Percentage of Beginning Accrued Liabilities
1994	2.9%
1995	0.6
1996	0.4
1997	5.5
1998	5.5
1999	4.7

Missouri State Employees' Plan
General Employee
As of June 30, 1999

Plan Provision	Requirement
Membership Eligibility	Members who work in a position normally requiring at least 1,000 hours of work a year who are not simultaneously accumulating credited service under another retirement program supported by state contributions (other than social security).
Normal Retirement Eligibility	Age 65 and active with four years service. Age 65 with five years service. Age 60 with 15 years service. "Rule of 80"/minimum age 50.
Early Retirement Eligibility	Age 55 with at least ten years service with reduced benefits.
Benefit Formula	The greater of 1.6 percent of the average highest 36 consecutive months of salary times credited service or $15 times full years of credited service.
Credited Service	Combination of the credited prior service a member accrued before becoming a member of MOSERS, and the years and full months of membership service with MOSERS.
Vesting	Five years of service is required for establishing benefit eligibility.
COLA	Annual COLAs equivalent to 80 percent of the previous year's change in the CPI with a minimum of 4 percent (for members hired prior to August 28, 1997) and a maximum of 5 percent until the cumulative amount of COLAs equal 65 percent of the original benefit. Thereafter, the 4 percent minimum is eliminated.
Survivor Benefit (Death Before Retirement)	A Joint and 100% Survivor Benefit, based on the member's life income annuity, calculated as if the member had been of normal retirement age, will be paid to the eligible surviving spouse, or 50 percent of the member's life income annuity to eligible children if there is no surviving spouse, provided the member is fully vested.
Optional Forms of Payment (Death After Retirement)	A member may choose one of the following options at retirement: Life Income Annuity. A benefit is paid for the member's lifetime only. No benefit continues to a survivor after death. Unreduced Joint & 50% Survivor Option. The member receives an unreduced monthly benefit for life. Upon death of the member, the spouse receives 50 percent of the benefit the retired member was receiving on the date of death, provided the spouse was married to the member and named on the application at the date of retirement (applicable to members retiring on or after October 1, 1984). Joint and 100% Survivor Option. The member receives a reduced monthly benefit for life. Upon death of the member, the spouse receives a monthly benefit equal to 100 percent of the retirement benefit the member was receiving at the time of death, provided the spouse was married to the member and named on the application at the date of retirement. If the designated spouse dies before the retiree, the retiree's benefit will "pop-up" or revert to the Life Income Annuity amount effective the first of the month following the spouse's death. Lifetime Income with Guaranteed Payments (60 or 120 months). A member receives a reduced monthly benefit for life. If the member dies prior to receiving the guaranteed number of payments, the beneficiary will receive the remaining number of payments. If the member lives longer than the guaranteed number of payments, no payments will be made to the beneficiary.

* This summary describes the plan provisions of the Revised Statutes of Missouri (RSMo), as amended, that governed the programs which MOSERS administered during the period covered by this report. It does not overrule any applicable statute or administrative rule and, in the event of a conflict, the applicable statute or rule would apply.

Missouri State Employees' Plan
Water Patrol
As of June 30, 1999

Plan Provision	Requirement
Membership Eligibility	Uniformed members who work in a position normally requiring at least 1,000 hours of work a year who are not simultaneously accumulating credited service under another retirement program supported by state contributions (other than social security).
Normal Retirement Eligibility	Age 55 and active with four years service. Age 55 with five years service. "Rule of 80"/minimum age 50.
Early Retirement Eligibility	No provision.
Benefit Formula	1.6 percent times the average highest 36 consecutive months of salary times credited service increased by 33.3 percent.
Credited Service	Combination of the credited prior service a member accrued before becoming a member of MOSERS and the years and full months of membership service with MOSERS.
Vesting	Five years of service is required for establishing benefit eligibility.
COLA	Annual COLAs equivalent to 80 percent of the previous year's change in the CPI with a minimum of 4 percent (for members hired prior to August 28, 1997), and a maximum of 5 percent until the cumulative amount of COLAs equal 65 percent of the original benefit. Thereafter, the 4 percent minimum is eliminated.
Survivor Benefit (Death Before Retirement)	A Joint and 100% Survivor Benefit, based on the member's life income annuity, calculated as if the member had been of normal retirement age, will be paid to the eligible surviving spouse, or 50 percent of the member's life income annuity to eligible children if there is no surviving spouse, provided the member is fully vested.
Optional Forms of Payment (Death After Retirement)	A member may choose one of the following options at retirement: <u>Life Income Annuity</u>. A benefit is paid for the member's lifetime only. No benefit continues to a survivor after death. <u>Unreduced Joint & 50% Survivor Option</u>. The member receives an unreduced monthly benefit for life. Upon death of the member, the spouse receives 50 percent of the benefit the retired member was receiving on the date of death, provided the spouse was married to the member and named on the application at the date of retirement (applicable to members retiring on or after October 1, 1984). <u>Joint and 100% Survivor Option</u>. The member receives a reduced monthly benefit for life. Upon death of the member, the spouse receives a monthly benefit equal to 100 percent of the retirement benefit the member was receiving at the time of death, provided the spouse was married to the member and named on the application on the date of retirement. If the designated spouse dies before the retiree, the retiree's benefit will "pop-up" or revert to the Life Income Annuity amount effective the first of the month following the spouse's death. <u>Lifetime Income with Guaranteed Payments (60 or 120 months)</u>. A member receives a reduced monthly benefit for life. If the member dies prior to receiving the guaranteed number of payments, the beneficiary will receive the remaining number of payments. If the member lives longer than the guaranteed number of payments, no payments will be made to the beneficiary.

Missouri State Employees' Plan
Legislators
As of June 30, 1999

Plan Provision	Requirement
Membership Eligibility	Must be a member of the general assembly.
Normal Retirement Eligibility	Age 55 and completion of 3-full biennial assemblies.
Early Retirement Eligibility	No provision.
Benefit Formula	$150 per month per biennial assembly.
Credited Service	Combination of the credited prior service a member has accrued before becoming a member of MOSERS and the years and full months of membership service with MOSERS.
Vesting	Completion of three full biennial assemblies is required for establishing benefit eligibility.
COLA	Annual COLAs equivalent to 80 percent of the previous year's change in the CPI with a minimum of 4 percent (for members hired prior to August 28, 1997), and a maximum of 5 percent until the cumulative amount of COLAs equal 65 percent of the original benefit. Thereafter, the 4 percent minimum is eliminated.
Survivor Benefit (Death Before Retirement)	<u>Unreduced Joint & 50% Survivor Option</u>. Upon the death of the member, 50 percent of the member's life income annuity, calculated as if the member had been of normal retirement age, will be paid to the eligible surviving spouse, provided the member is fully vested.
Survivor Benefit (Death After Retirement)	<u>Unreduced Joint & 50% Survivor Option</u>. Upon the death of the member, 50 percent of the member's life income annuity will be paid to the eligible surviving spouse, provided the member is fully vested.

Missouri State Employees' Plan
Elected State Officials
As of June 30, 1999

Plan Provision	Requirement
Membership Eligibility	Must be elected to statewide office.
Normal Retirement Eligibility	Age 65 with four years service. Age 60 with 15 years service. "Rule of 80"/minimum age 50.
Early Retirement Eligibility	Age 55 with at least ten years service with reduced benefits.
Benefit Formula	Twelve or more years of service results in a benefit equivalent to 50 percent of the current statutory compensation for the highest office held. If less than 12 years, benefit is equivalent to 1.6 percent times credited service times the highest 36 consecutive months of average compensation.
Credited Service	Combination of the credited prior service a member accrued before becoming a member of MOSERS and the years and full months of membership service with MOSERS.
Vesting	Completion of one, four-year term of office is required for establishing benefit eligibility.
COLA	Twelve or more years of service will provide an annual COLA equivalent to the increase in the current statutory compensation of the highest position held. Less than 12 years of service will provide an annual COLA that is equivalent to 80 percent of the previous year's change in the CPI with a minimum of 4 percent (for members hired prior to August 28, 1997), and a maximum of 5 percent until the cumulative amount of COLAs equal 65 percent of the original benefit. Thereafter, the 4 percent minimum is eliminated.
Survivor Benefit (Death Before Retirement)	A Joint & 100% Survivor benefit, based upon the member's life income annuity, calculated as if the member had been of normal retirement age, will be paid to the eligible surviving spouse, or 50 percent of the member's life income annuity to eligible children if there is no surviving spouse, provided the member is fully vested.
Survivor Benefit (Death After Retirement)	Twelve or more years of service will provide an Unreduced Joint & 50% Survivor benefit, based upon the member's life income annuity, to the eligible surviving spouse. If less than 12 years, a survivor benefit will be paid to the eligible surviving spouse based on the option elected at retirement.

Plan Provision	Requirement
Membership Eligibility	Must be an administrative law judge or legal advisor in the Division of Worker's Compensation, a member or legal counsel of the Labor and Industrial Relations Commission, or chair person of the State Board of Mediation, or an administrative hearing commissioner.
Normal Retirement Eligibility	Age 65 with 12 years service. Age 55 with 20 years service.
Early Retirement Eligibility	Age 65 with less than 12 years service with benefit reduced, based upon years of service relative to 12 years.
Benefit Formula	Twelve or more years of service will provide a benefit equivalent to 50 percent of the average highest 12 consecutive months of salary received. Less than 12 years, benefit is 4.17 percent times credited service times the average highest 12 consecutive months of compensation.
Credited Service	Combination of the credited prior service a member accrued before becoming a member of MOSERS and the years and full months of membership service with MOSERS.
Vesting	Immediate.
COLA	Annual COLAs equivalent to 80 percent of the previous year's change in the CPI with a minimum of 4 percent (for members hired prior to August 28, 1997), and a maximum of 5 percent until the cumulative amount of COLAs equal 65 percent of the original benefit. Thereafter, the 4 percent minimum is eliminated.
Survivor Benefit (Death Before Retirement)	The eligible spouse receives up to 50 percent of the benefit the member would have received based on service to age 70.
Survivor Benefit (Death After Retirement)	Upon the death of the member, 50 percent of the member's annuity at time of death will be paid to the eligible surviving spouse.

Judicial Plan
As of June 30, 1999

Plan Provision	Requirement
Membership Eligibility	Must be a judge; a commissioner of the probate division of the circuit court appointed after February 29, 1972, in a first class county having a charter form of government or in a city not within a county; a commissioner of the juvenile division of the circuit court appointed pursuant to Section 211.023, RSMo; a commissioner of the drug court pursuant to Section 478.466, RSMo; or a commissioner of the family court.
Normal Retirement Eligibility	Age 62 with 12 years service. Age 60 with 15 years service.
Early Retirement Eligibility	Age 62 with less than 12 years service or age 60 with less than 15 years service with benefit reduced based upon years of service relative to service required for full benefits.
Benefit Formula	Twelve or more years of service will provide a benefit equivalent to 50 percent of the average monthly compensation of the highest judicial position held. Less than 12 years, benefit is 4.17 percent times credited service times the average monthly compensation of the highest judicial position held.
Credited Service	Combination of the credited prior service a member accrued before becoming a member of MOSERS and the years and full months of membership service with MOSERS.
Vesting	Immediate.
COLA	Annual COLAs equivalent to 80 percent of the previous year's change in the CPI with a minimum of 4 percent (for members hired prior to August 28, 1997), and a maximum of 5 percent until the cumulative amount of COLAs equal 65 percent of the original benefit. Thereafter, the 4 percent minimum is eliminated.
Survivor Benefit (Death Before Retirement)	The eligible spouse receives 50 percent of the benefit the member would have received based on service to age 70.
Survivor Benefit (Death After Retirement)	Upon the death of the member, 50 percent of the member's annuity at time of death will be paid to the eligible surviving spouse.

Contributions
The plans previously described are noncontributory, with the entire cost paid by the state of Missouri. The contribution rate paid by the state for the general employees, water patrol, legislator, and elected state officials retirement plan for FY 99 was 12.58 percent of the membership payroll. The contribution rate paid by the state for the ALJLAP for FY 99 was 18.70 percent of the membership payroll. The contribution rate paid by the state for the Judicial Plan for FY 99 was 51.81 percent of the membership payroll.

Life Insurance Plans

As of June 30, 1999

MOSERS administers basic and optional term life insurance plans for eligible state employees and retirees.

Active Members*	Requirement
Basic Life Insurance \$15,000 basic life insurance while actively employed.	Actively employed in an eligible state position resulting in membership in MOSERS.
Optional Life Insurance Additional life insurance may be purchased in multiples of annual salary up to a maximum of the lesser of six times annual salary (excluding any nonrecurring, single sum payment) or \$800,000; or in a flat amount in multiples of \$1,000. A flat amount of spouse coverage may be purchased in multiples of \$1,000, up to a maximum of \$100,000; however, the amount of spouse coverage cannot exceed the amount of optional coverage the member has purchased.	Actively employed in an eligible state position resulting in membership in MOSERS.

*Terminating employees may convert coverage up to the amount they had as an active employee at individual rates.

Retired Members	Requirement
Basic Life Insurance at Retirement \$5,000 basic life insurance during retirement.	Must retire directly from active employment.
Optional Life Insurance at Retirement An employee may retain up to the lesser of \$60,000 or the amount of optional life insurance coverage held at time of retirement at the group rate and may convert any remaining basic and optional life insurance at individual rates.	Must retire directly from active employment.

Long-Term Disability (LTD) Plan

MOSERS administers the LTD Plan for eligible state employees.

Must become disabled during active employment.

Plan	Provision
General Employees, Legislators, and Elected State Officials (Members of MOSERS in a position normally requiring 1,000 hours of work a year are covered under the LTD Plan, unless they work for a state agency which has its own LTD Plan.)	**Long-Term Disability** - Eligible participants receive 60 percent of their compensation minus primary social security, worker's compensation, and employer provided income. Benefits commence after 90 days of disability or after sick leave expires, whichever occurs last. LTD benefits cease upon the earliest of (i) when disability ends, (ii) when the member is first eligible for retirement benefits, (iii) when the member returns to work, or (iv) upon the member's death. **Partial Disability** - A member may be considered partially disabled during the benefit waiting period and the 24 months following that period, if the member is working in an occupation, but as a result of physical disease, injury, pregnancy, or mental disorder is unable to earn more than 80 percent of pre-disability earnings. After the first 24 months, a member may be considered partially disabled if working in an occupation, but unable to earn more than 60 percent of the member's pre-disability earnings. In both instances, work earnings are used to reduce the LTD benefit.
Water Patrol	Uniformed members who are eligible for statutory occupational disability receive benefits equal to 50 percent of compensation at the time of disability. For nonoccupational disabilities, eligible participants receive the same benefit as general employees.
Judges	In addition to the disability benefits provided to general employees, judges also receive benefits under the state constitution. Participants receive 50 percent of salary until the current term expires.

Changes in Plan Provisions

On July 10, 1999, Governor Mel Carnahan signed into law Senate Bills 308 & 314 (SB308) - legislation that creates a new retirement plan for eligible state employees. The new retirement plan is commonly referred to as the Missouri State Employees' Plan 2000 (MSEP 2000) for general employees, legislators, and elected state officials. SB308 also modifies several provisions in the current Missouri State Employees' Plan (MSEP). Changes to both plans have been described below.

MSEP 2000 for General Employees (effective July 1, 2000)

SB308 creates a new retirement plan for future hires that would otherwise be participants in the existing MSEP for general employees that is administered by MOSERS. Present active, terminated-vested, and retired members covered by the MSEP will be given the option of electing coverage under the MSEP 2000.

The key differences between the MSEP and the MSEP 2000 are illustrated in the table below.

Comparison of the MSEP and the MSEP 2000 for General Employees

Benefit	MSEP	MSEP 2000
Normal Retirement Eligibility	Age 60 with 15 years service. Age 65 with five years service. "Rule of 80"/ minimum age 50.	Age 62 with five years service. "Rule of 80"/ minimum age 50.
Early Retirement Eligibility	Age 55 with 10 years service.	Age 57 with 5 years service.
Benefit Formula Life Temporary	 .016 x FAP* x service. Not available.	 .017 x FAP* x service. .008 x FAP* x service (until age 62 - only if retiring under "Rule of 80").
Death In Service	Survivor benefit calculated using the Joint & 100% Survivor Option for spouse; or 50 percent of the member's life income annuity for eligible children (50 percent of FAP* if death is duty related).	Survivor benefit calculated using the Joint & 100% Survivor Option for spouse; or 80 percent of the member's life income annuity for eligible children (50 percent of FAP* if death is duty related).
Death After Retirement	Survivor benefit based on option elected on retirement application. Options include: ¨ Life Income Annuity ¨ Unreduced Joint & 50% Survivor ¨ Joint & 100% Survivor ¨ 60 or 120 Guaranteed Payments	Survivor benefit based on option elected on retirement application. Options include: ¨ Life Income Annuity ¨ Joint & 50% Survivor ¨ Joint & 100% Survivor ¨ 120 or 180 Guaranteed Payments
Retirement Calculation on Disability	Salary indexed each year while on disability.	Salary indexed each year while on disability.
COLA	If hired before August 28, 1997, COLA is equal to 80 percent of increase in CPI with minimum of 4 percent and maximum of 5 percent until reaching 65 percent cap. Thereafter, the rate is based on 80 percent of increase in CPI with a maximum of 5 percent.	80 percent of increase in CPI with maximum of 5 percent.
In-Service COLA	4 percent per year for service beyond age 65 (if eligible).	Not available.
Optional Life Insurance at Retirement	Maximum $60,000 (cannot exceed coverage while actively employed).	Members retiring under "Rule of 80" may retain the same amount of coverage as was in effect during the month prior to termination of employment until age 62. Maximum of $60,000 from age 62 forward.

* Final Average Pay - highest 36 consecutive months of pay

MSEP 2000 for Legislators and Elected State Officials (effective July 1, 2000)

SB308 also creates a new retirement plan for legislators that will address problems associated with the flat dollar amount per assembly provided by the existing plan by associating benefits of members of the general assembly with their pay levels. The MSEP 2000 is available to members of the general assembly who are elected after the effective date of the plan and will also be available to active members, terminated-vested members, and retirees who wish to transfer to the MSEP 2000 (similar provisions are also included for elected state officials).

Under the MSEP 2000, normal retirement eligibility for members of the legislature is 55 years of age with completion of two biennial assemblies; elected officials may retire at age 55 with at least four years of credited service an elected state official. "Rule of 80" eligibility also applies to elected officials, but the temporary benefit payable under the general employee plan is not available.

The benefit formula is 1/24 of the base pay of a member of the general assembly (as in effect at the time the benefit goes into pay status) multiplied by the number of years and months of credited service. After completion of two, full assemblies, the amount will be prorated for partial years served. In no event will any member of the general assembly or eligible beneficiary receive annuity amounts in excess of 100 percent of pay. (Credited service that is purchased by members of the general assembly is not considered in determining the 100 percent cap on benefits.) For an elected state official, the benefit formula is 1/24 of the base pay for the highest elected position held prior to retirement multiplied by the member's credited service up to a maximum of 12 years or 50 percent of pay.

Benefits payable under this plan will not be adjusted on the basis of the current COLA provisions but rather will increase annually at the same rate that pay is increased for active members of the general assembly and elected state officials. Optional forms of payment and death before retirement provisions will be the same as for general employees.

For members having combinations of general employee, general assembly, and/or elected state official service, benefits will be determined separately for each category and then summed to determine the total benefit amount. Service credit purchased or transferred will be added to the service in the category of the first position held as a member of the system. Service credit as a general employee, legislator, or elected state official will not be transferable between any of the plans administered by MOSERS. Total service credit as a general employee, legislator, and elected state official will be summed for purposes of determining benefit eligibility.

SB308 also contains a provision that will require a legislator or elected state official, serving after August 28, 1999, to forfeit retirement service rendered after August 28, 1999, if convicted of a felony unless the conviction is overturned. The felony conviction must be determined by a court of law to have been committed in connection with the member's duties. This provision applies to the MSEP and the MSEP 2000.

New Provisions Contained in the MSEP and the MSEP 2000 (effective August 28, 1999, unless otherwise noted)

Disability.
The current disability provisions will continue to be provided. However, when a member becomes eligible for normal retirement, the retirement benefit will be based on final average pay (FAP) and will be indexed between the date of disability and the date normal retirement benefits begin at an amount equal to 80 percent of the increase in the CPI.

Duty-Related Death Benefits.
SB308 will provide a minimum annuity in the amount of 50 percent of the member's FAP to a survivor or dependent children in the event of duty-related death. In such an instance, there is no minimum length of service requirement.

Triple Indemnity Life Insurance for Duty-Related Death.
Life insurance benefits for survivors of members whose death is determined to be duty related will be three times the basic coverage amount of $15,000, totaling $45,000.

Designation of New Spouse for Survivor Options (effective July 1, 2000).
SB308 will also allow a member who is not married at retirement but marries thereafter to designate a spouse as beneficiary upon completion of one year of marriage. In addition, the legislation will allow a member to designate a new spouse as beneficiary upon completion of one year of marriage in the event of the death of the spouse the member was married to at the date of retirement. These designations, however, must occur within six months of marriage. (This provision does not apply to period certain annuities.)

Definition of Average Compensation.
SB308 modifies the definition of average compensation to allow the system to consider the compensation an employee would have earned during a medical leave of absence just as if the employee had been able to work. The legislation also contains a provision that will allow FAP to be calculated properly based on a state payroll system (lag payroll) adopted on or after January 1, 2000.

Purchase of Service (MOSERS only).
Modifies the purchase of service provision to allow an active member to purchase, at a reduced rate, up to four years of nonfederal, full-time Missouri public service, provided the member is not vested in another retirement system for that same service.

New Provisions Contained in the MSEP Only
(effective August 28, 1999, unless otherwise noted)

Election to Participate in the MSEP 2000 (effective July 1, 2000). SB308 contains a provision that will allow all retired members to make an election to participate in the MSEP 2000. Furthermore, employees covered by the MSEP, who are active on the effective date of the new plan, and terminated-vested members will be able to elect which plan they wish to retire under at the time of retirement.

Transfer of Service from the Prosecuting Attorneys' Retirement System (PARS).
The legislation will allow service to be transferred from the PARS to the MOSERS. (Currently, MOSERS' service may be transferred to the PARS.)

Transfer of Service from the Public Employee Retirement System (PSRS) to MOSERS.
In 1988, teachers employed in certain state agencies covered by PSRS became members of MOSERS and were allowed to transfer service. Under the new legislation, if a member failed to transfer such service to MOSERS prior to their death, the member's survivor could do so on the member's behalf, and the survivor benefit will be adjusted to reflect the additional service.

Unreduced Joint & 50% Survivor Benefit.
SB308 will grant an Unreduced Joint & 50% Survivor Benefit, with accompanying lump sum payments (where applicable), to the following groups:

- Survivors of active employees who terminated employment on or after October 1, 1984, but died before the effective date of House Bill 356 (HB356) in 1997.
- Survivors of retirees who terminated employment on or after October 1, 1984, elected the joint and survivor option or life annuity (and were married at the time of retirement), and died before the effective date of HB356 in 1997.
- Former, deferred-vested members who terminated employment on or after October 1, 1984, and elected the Deferred Retirement Lump Sum Option.
- Members who terminated employment on or after October 1, 1984, retired (married at the time of retirement), and were reemployed by the state prior to the effective date of HB356 in 1997.

Judicial Plan
(effective August 28, 1999)

SB308 changes the eligibility requirements for an unreduced retirement benefit to the earliest of attaining age 60 with 15 years of service; age 62 with 12 years of service; or age 55 with 20 years of service. In-service COLAs applicable to postnormal retirement age service do not apply to service rendered before age 60. In addition, currently terminated-vested members with at least 20 years of service may begin to receive benefits the later of the effective date of the law or when they reach age 55.

Administrative Law Judges' and Legal Advisors' Plan (ALJLAP)
(effective August 28, 1999)

SB308 will enable terminated-vested and retired administrative hearing commissioners to become members of the ALJLAP on or after August 28, 1999. (No retroactive benefits will be paid.)

SB308 also changes the eligibility ages for normal retirement for members of the ALJLAP. This provision will change the eligibility for normal retirement to age 55 with 20 years of service, age 60 with 15 years of service, or age 62 with 12 years of service.

Other Legislation

On July 13, 1999, Governor Carnahan also signed into law Senate Bills Nos. 1, 92, 111, 129 & 222 (SB1) which affects the judicial court system. As it relates to judicial retirement, SB1 provides that commissioners and deputy commissioners will become members of the Judicial Plan. This law will be effective August 28, 1999.

Missouri State Employees' Plan

Actuarial Present Values

June 30, 1999

Actuarial Present Value, June 30, 1999	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
Active members			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	$ 3,779,571,292	$ 883,475,954	$ 2,896,095,338
Disability benefits likely to be paid to active members who become totally and permanently disabled	103,359,864	44,005,740	59,354,124
Survivor benefits likely to be paid to spouses and children of present active members who die before retiring	114,104,154	38,546,615	75,557,539
Separation benefits likely to be paid to active members	411,190,267	209,737,518	201,452,749
Active Member Totals	$ 4,408,225,577	$1,175,765,827	3,232,459,750
Members on leave of absence and LTD			
Service retirement benefits based on no recovery and indexing			75,082,817
Terminated-vested members and retroactive lump sum adjustments			
Service retirement benefits based on service rendered before the valuation date and possible MSEP 2000 election			227,921,695
Retired lives and retroactive lump sum adjustments			1,970,504,367
Total actuarial accrued liability			5,505,968,629
Assets used in valuation			4,908,820,033
Unfunded actuarial accrued liability			$ 597,148,596

Administrative Law Judges' and Legal Advisors' Plan

Actuarial Present Values

June 30, 1999

Actuarial Present Value, June 30, 1999	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
Active members			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	$ 8,031,217	$ 3,680,629	$ 4,350,588
Disability benefits likely to be paid to present active members who become totally and permanently disabled	169,025	109,616	59,409
Survivor benefits likely to be paid to spouses and children of present active members who die before retiring	429,296	295,208	134,088
Separation benefits likely to be paid to present active members	2,173,689	1,413,255	760,434
Active member totals	$ 10,803,227	$ 5,498,708	5,304,519
Terminated-vested members			
Service retirement benefits based on service rendered before the valuation date			1,586,018
Retired lives			7,883,988
Total actuarial accrued liability			14,774,525
Assets used in valuation			11,763,737
Unfunded actuarial accrued liability			$ 3,010,788

Judicial Plan

Actuarial Present Values

June 30, 1999

Actuarial Present Value, June 30, 1999	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
Active members			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	$ 139,871,833	$ 48,982,719	$ 90,889,114
Disability benefits likely to be paid to present active members who become totally and permanently disabled	1,925,025	1,528,279	396,746
Survivor benefits likely to be paid to spouses and children of present active members who die before retiring	5,010,714	2,780,747	2,229,967
Active member totals	$ 146,807,572	$ 53,291,745	93,515,827
Terminated-vested members			
Service retirement benefits based on service rendered before the valuation date			13,742,903
Retired lives			120,543,611
Total actuarial accrued liability			227,802,341
Assets used in valuation			6,067,305
Unfunded actuarial accrued liability			$ 221,735,036

Statistical Section

EXCELLENCE

Living as Children of the Universe
With the Highest Expectation
of Hope and Achievement

Plan Membership

Membership in the pension trusts administered by MOSERS increased 3,119. Active members increased 1,620, retired members and their beneficiaries increased 879, and terminated-vested members increased 620. Membership data for the last ten years ended June 30, 1999, can be found on page 95. Page 96 depicts the location of benefit recipients, showing that the majority remain in the state of Missouri after retirement.

Net Assets vs. Liabilities

The charts on page 97 graphically represent the funding progress of the pension plans for the ten years ended June 30, 1999. The chart on the top of page 97 compares the net assets held in trust for pension benefits to pension benefit liabilities. The top line illustrates the accrued liabilities of the plans funded on an actuarial basis, and the bottom segment illustrates the net assets accumulated to fund those liabilities (identified by type of assets). The spread between the total accrued liabilities and the total net assets represents the unfunded actuarial accrued liabilities. The chart on the bottom of page 97 illustrates the funded ratio of the plans for the ten years ended June 30, 1999.

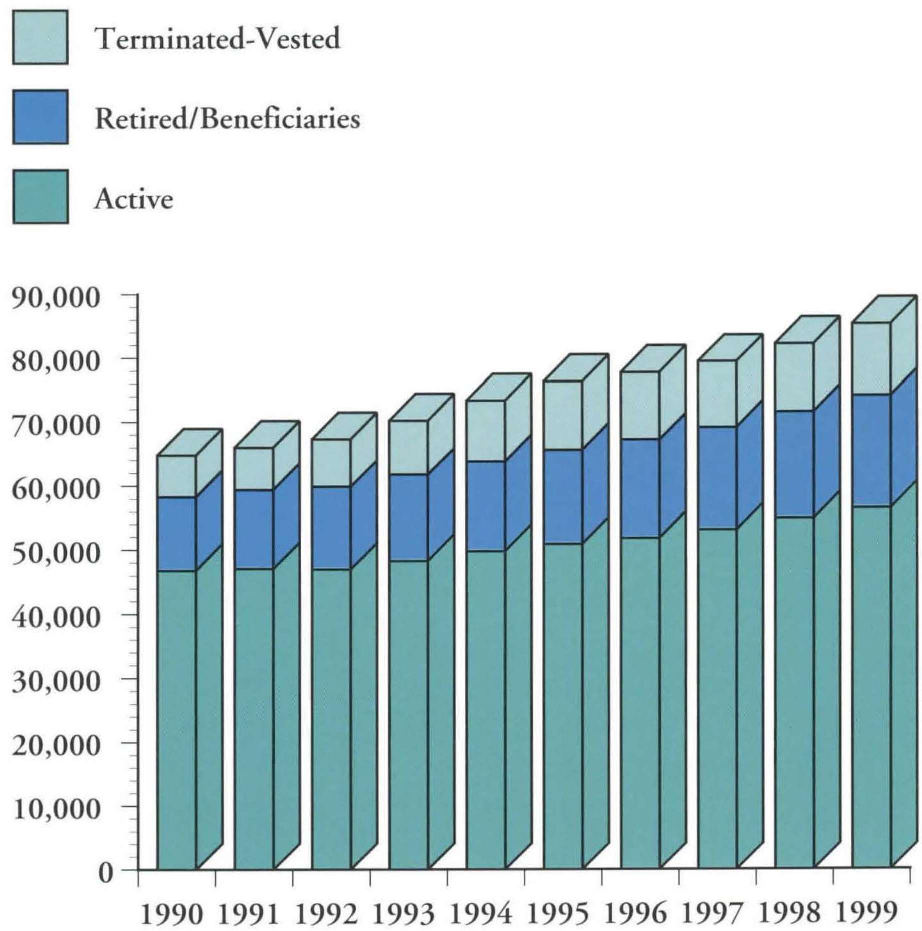
The existence of the unfunded actuarial accrued liabilities is not necessarily an indication of financial problems, but the fluctuations are important and should be monitored and controlled.

The remainder of this section contains various statistical and historical data considered useful in evaluating the condition of the plans.

Missouri State Employees' Retirement System

Membership in Retirement Plans

Last Ten Fiscal Years

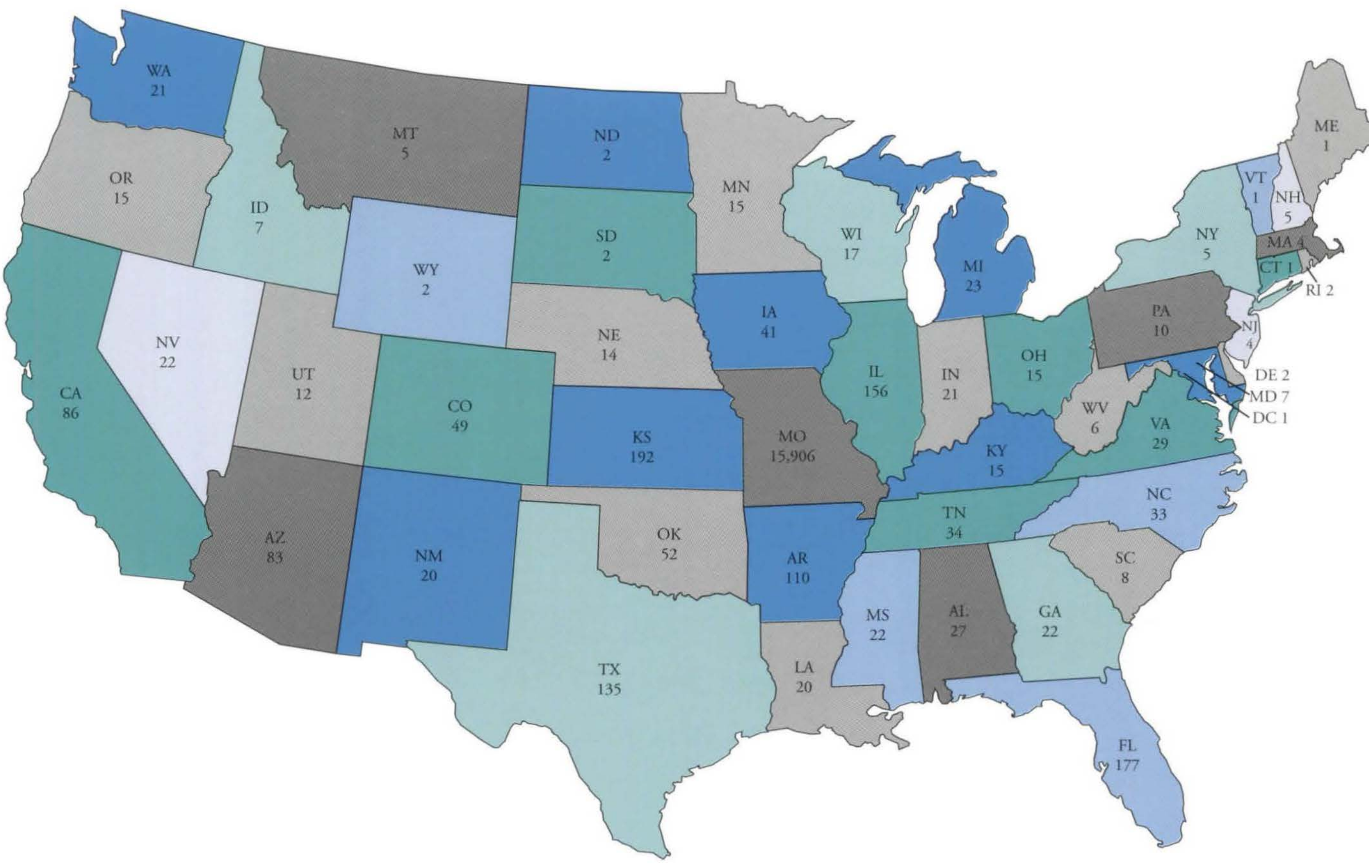


Fiscal Year	Active	Retired/ Beneficiaries	Terminated- Vested
1990	46,834	11,495	6,544
1991	47,105	12,307	6,610
1992	46,999	12,876	7,484
1993	48,343	13,441	8,423
1994	49,826	13,988	9,499
1995	50,918	14,747	10,673
1996	51,837	15,362	10,548
1997	53,147	15,963	10,273
1998	54,951	16,616	10,561
1999	56,571	17,495	11,181

Missouri State Employees' Retirement System

Distribution of Benefit Recipients by Location

June 30, 1999



Recipients outside the continental U.S. include:

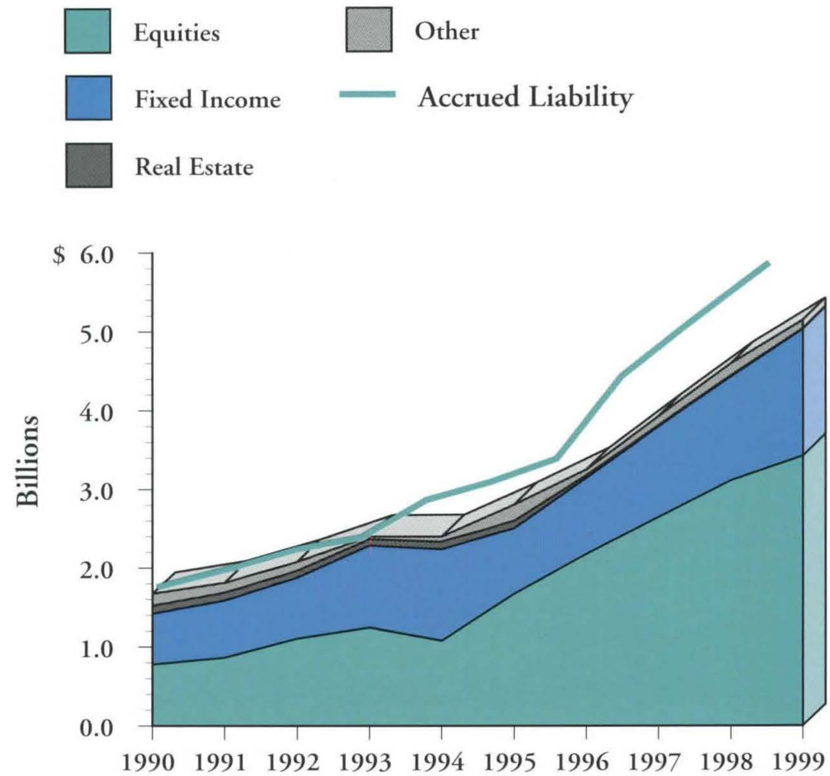
Alaska-3	Mexico-1
Argentina-1	New Zealand-2
Canada-1	Puerto Rico-1
Columbia, South America-1	South Korea-1
Germany-2	Sweden-1
Hawaii-1	United Kingdom-2
Ireland-1	West Indies-1
Israel-1	Military-1

Missouri State Employees' Retirement System

Pension Trust Funds

Net Assets vs. Pension Liabilities

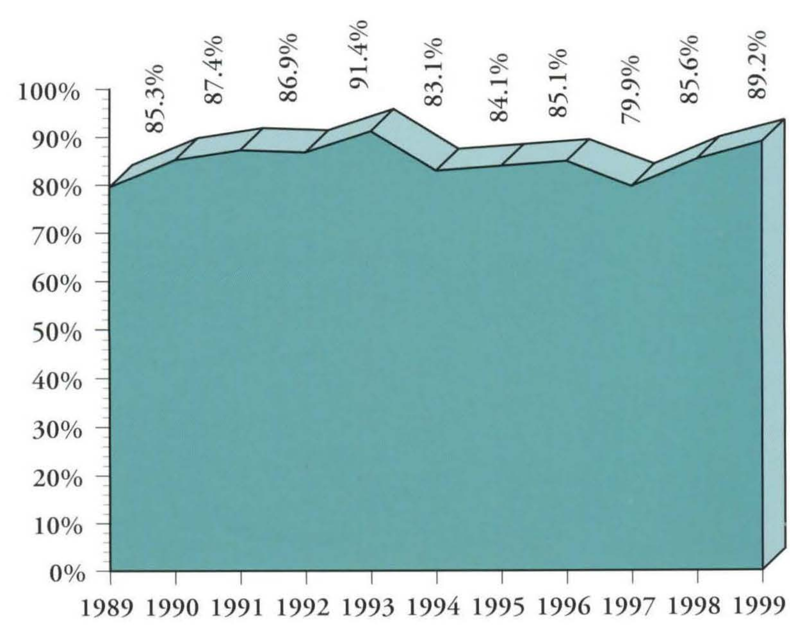
Ten Years Ended June 30, 1999



Missouri State Employees' Retirement System

Valuation Assets as Percents of Pension Liabilities

Ten Years Ended June 30, 1999



Missouri State Employees' Plan

Additions by source

Fiscal Year	Employer Contribution Rate	Employer Contributions as a Percent of Covered Payroll	Employer Contribution Amount	Employer Contributions Service Transfers	Member Payments for Purchasing Service Credit	Net Investment Income	Other	Total
1990	9.90%	9.87%	$ 98,135,838	$ 770,697	$ 715,433	$ 140,370,991	$ 204,872	$ 240,197,831
1991	9.90	10.01	102,854,950	8,459,034	446,286	95,945,092	9,569	207,714,931
1992	9.65	9.77	100,672,145	112,988	321,713	230,191,287	6,560	331,304,693
1993	9.68	9.69	102,988,219	117,466	547,961	293,481,441	6,047	397,141,134
1994	9.49	9.48	106,681,308	78,554	765,977	(15,865,184)	411,469	92,072,124
1995	9.04	9.08	108,902,372	170,081	753,984	393,915,517	0	503,741,954
1996	10.69	10.81	137,007,112	135,598	726,527	453,955,454	9,129	591,833,820
1997	10.66	10.77	146,383,371	2,238,691	640,590	653,958,265	235,279	803,456,196
1998	10.40	10.42	152,090,687	36,908	1,035,738	661,480,958	14,925	814,659,216
1999	12.58	12.65	197,909,834	147,315	1,151,328	504,026,290	659,215	703,893,982

Missouri State Employees' Plan

Deductions by type

Fiscal Year	Benefits	Contribution Refunds	Service Transfers	Administrative	Legal Settlements	Total
1990	$ 54,720,308	$ 11,169	$ 0	$ 1,831,797	$ 0	$ 56,563,274
1991	60,796,849	19,297	0	2,318,369	0	63,134,515
1992	67,850,658	12,508	0	2,333,634	0	70,196,800
1993	75,606,809	22,007	0	2,441,067	0	78,069,883
1994	84,482,785	1,598	16,252	3,336,941	0	87,837,576
1995	96,198,413	0	0	3,060,262	0	99,258,675
1996	115,627,764	0	30,327	3,221,578	23,148,000	142,027,669
1997	126,941,341	102	2,091,233	3,563,018	0	132,595,694
1998	149,261,681	1,514	0	4,500,944	18,998	153,783,137
1999	155,299,924	0	0	5,763,229	0	161,063,153

Administrative Law Judges' and Legal Advisors' Plan
Additions by source

Fiscal Year	Employer Contribution Rate	Employer Contributions as a Percent of Covered Payroll	Employer Contribution Amount	Net Investment Income	Other	Total
1990	30.17%	31.66%	$ 605,577	$ 387,076	$ 530	$ 993,183
1991	26.61	27.20	527,648	254,734	25	782,407
1992	25.51	29.00	500,250	601,626	0	1,101,876
1993	27.77	28.42	548,707	766,887	16	1,315,610
1994	24.18	23.97	502,019	(45,152)	1,056	457,923
1995	22.50	23.00	498,233	986,426	0	1,484,659
1996	21.16	20.26	548,276	1,122,107	23	1,670,406
1997	22.60	22.78	652,709	1,614,183	34	2,266,926
1998	19.66	20.11	564,295	1,613,972	36	2,178,303
1999	18.70	18.32	639,285	1,205,813	1,577	1,846,675

Administrative Law Judges' and Legal Advisors' Plan
Deductions by type

Fiscal Year	Benefits	Administrative	Legal Settlements	Total
1990	$ 191,534	$ 4,734	$ 0	$ 196,268
1991	317,374	6,045	0	323,419
1992	399,463	6,085	0	405,548
1993	502,310	6,401	0	508,711
1994	565,082	8,566	0	573,648
1995	600,650	7,663	0	608,313
1996	633,527	7,963	0	641,490
1997	616,859	8,795	0	625,654
1998	677,213	10,981	46	688,240
1999	747,663	13,788	0	761,451

Pension Trust Funds
Ten-Year Historical Data

Judicial Plan

Additions by source

Fiscal Year	Employer Contribution Rate	Employer Contributions as a Percent of Covered Payroll	Employer Contribution Amount	Net Investment Income	Other	Total
1990	Nonfunded	23.87%	$ 5,838,700	$ 0	$ 0	$ 5,838,700
1991	Nonfunded	25.53	6,572,690	0	0	6,572,690
1992	Nonfunded	27.78	7,335,579	0	0	7,335,579
1993	Nonfunded	29.01	7,728,160	0	0	7,728,160
1994	Nonfunded	30.38	8,205,509	0	0	8,205,509
1995	Nonfunded	32.84	9,188,599	0	0	9,188,599
1996	Nonfunded	33.13	9,907,505	0	0	9,907,505
1997	Nonfunded	33.00	10,450,270	0	0	10,450,270
1998	Nonfunded	35.24	11,433,457	0	0	11,433,457
1999	51.81%	52.29	17,862,353	452,499	592	18,315,444

Judicial Plan

Deductions by type

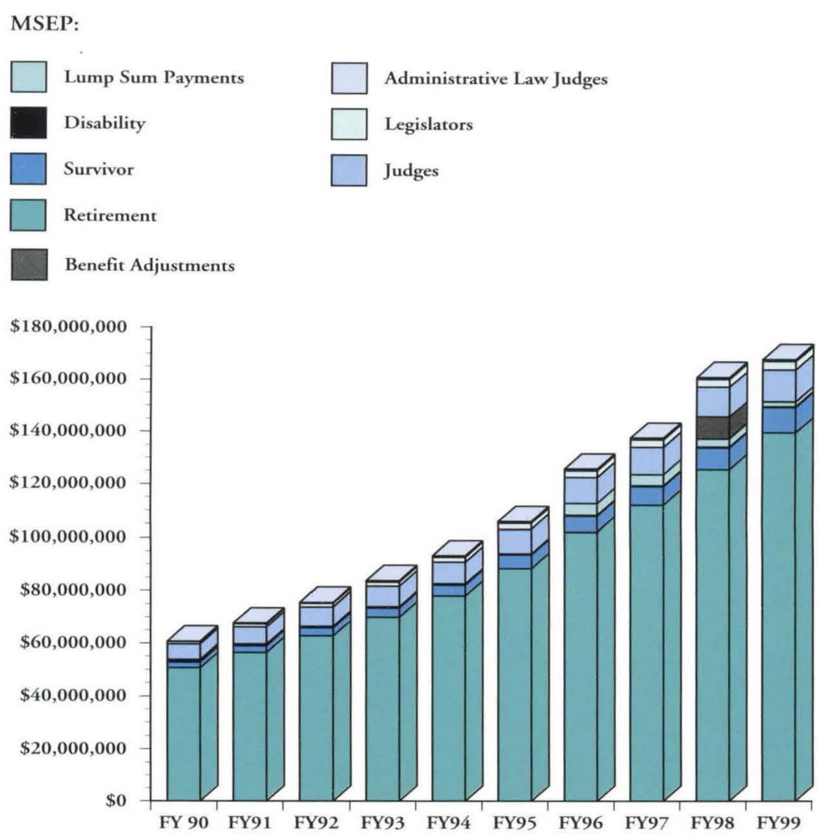
Fiscal Year	Benefits	Administrative	Total
1990	$ 5,838,700	$ 0	$ 5,838,700
1991	6,572,690	0	6,572,690
1992	7,335,579	0	7,335,579
1993	7,728,160	0	7,728,160
1994	8,205,509	0	8,205,509
1995	9,188,599	0	9,188,599
1996	9,907,505	0	9,907,505
1997	10,450,270	0	10,450,270
1998	11,433,457	0	11,433,457
1999	12,229,325	5,174	12,234,499

Benefit Expenses by Type
Last Ten Fiscal Years

	FY 90	FY 91	FY 92	FY 93	FY 94
Retirement	$ 50,622,879	$ 56,451,361	$ 62,868,259	$ 70,002,701	$ 78,018,158
Survivor	2,178,282	2,566,480	3,081,500	3,533,845	4,202,875
Disability	996,712	659,961	566,322	484,806	436,022
Lump sum payment	0	0	0	0	0
Benefit adjustments	0	0	0	0	0
Judges	5,838,700	6,572,690	7,335,579	7,728,160	8,205,509
Legislators	922,435	1,119,047	1,334,577	1,585,456	1,825,730
Administrative law judges	191,534	317,374	399,463	502,310	565,082
Totals	60,750,542	67,686,913	75,585,700	83,837,278	93,253,376

	FY 95	FY 96	FY 97	FY 98	FY 99
Retirement	$ 88,532,996	$ 102,257,950	$ 112,523,766	$ 126,121,327	$ 140,138,342
Survivor	5,146,981	6,001,028	7,036,816	8,233,831	9,812,877
Disability	379,382	347,589	310,693	279,208	245,284
Lump sum payment	0	4,494,184	4,258,380	3,130,459	1,871,798
Benefit adjustments	0	0	0	8,453,580	39,768
Judges	9,188,599	9,907,505	10,450,270	11,433,457	12,229,325
Legislators	2,139,053	2,527,014	2,811,686	3,043,276	3,191,855
Administrative law judges	600,650	633,527	616,859	677,213	747,663
Totals	105,987,661	126,168,797	138,008,470	161,372,351	168,276,912

Benefit Expenses by Type



Missouri State Employees' Retirement Plan

Benefits Payable June 30, 1999
Tabulated by Option and Type of Benefit

Type of Benefit	Number	Annual Funded Benefits	Average Annual Benefits
Service retirement			
Life annuity	8,400	$ 68,727,780	$ 8,182
50% joint and survivor	4,581	51,051,740	11,144
75% joint and survivor	18	166,230	9,235
100% joint and survivor	1,950	25,370,626	13,011
5 year certain and life	166	1,446,857	8,716
10 year certain and life	175	1,350,179	7,715
Survivor beneficiary	831	5,590,487	6,727
Total	16,121	153,703,899	9,534
Disability retirement	60	$ 244,603	4,077
Death-in-service	936	$ 5,056,943	5,403
Grand totals	17,117	$ 159,005,445	$ 9,289

The valuation projected benefits using the MSEP and the MSEP 2000 and presumed individuals would elect in their own best financial interest. Retroactive lump sums and beneficiaries to be placed on the rolls are not shown above.

Average Monthly Benefit Amounts
Six Years Ended June 30, 1999

Missouri State Employees' Plan

		Years Credited Service by Category							
Members Retiring During:		**<5**	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**	**All Members**
1994	Average monthly benefit	$ 193	$ 173	$ 277	$ 474	$ 727	$ 1,030	$ 1,468	$ 700
	Average final average pay	$ 2,655	$ 1,643	$ 1,612	$ 1,737	$ 2,031	$ 2,335	$ 2,577	$ 1,996
	Number of retirees	6	97	147	174	136	132	141	833
1995	Average monthly benefit	$ 72	$ 219	$ 307	$ 488	$ 720	$ 1,035	$ 1,394	$ 763
	Average final average pay	$ 889	$ 1,564	$ 1,715	$ 1,763	$ 2,008	$ 2,329	$ 2,519	$ 2,037
	Number of retirees	3	125	156	189	180	191	236	1,080
1996	Average monthly benefit	$ 104	$ 191	$ 300	$ 483	$ 763	$ 1,134	$ 1,520	$ 797
	Average final average pay	$ 1,540	$ 1,651	$ 1,756	$ 1,794	$ 2,148	$ 2,503	$ 2,715	$ 2,150
	Number of retirees	6	119	150	169	177	208	194	1,023
1997	Average monthly benefit	$ 121	$ 259	$ 293	$ 554	$ 777	$ 1,147	$ 1,660	$ 860
	Average final average pay	$ 1,943	$ 1,951	$ 1,628	$ 1,990	$ 2,149	$ 2,574	$ 2,985	$ 2,273
	Number of retirees	5	105	173	171	163	209	214	1,040
1998	Average monthly benefit	$ 134	$ 225	$ 355	$ 545	$ 813	$ 1,177	$ 1,609	$ 857
	Average final average pay	$ 1,919	$ 1,818	$ 1,965	$ 1,990	$ 2,279	$ 2,622	$ 2,911	$ 2,321
	Number of retirees	9	138	196	196	190	202	262	1,193
1999	Average monthly benefit	$ 113	$ 234	$ 364	$ 603	$ 841	$ 1,164	$ 1,823	$ 934
	Average final average pay	$ 1,599	$ 1,976	$ 2,032	$ 2,262	$ 2,356	$ 2,600	$ 3,281	$ 2,492
	Number of retirees	5	130	208	204	196	252	$ 271	1,266
Six Years Ended June 30, 1999									
	Average monthly benefit	$ 128	$ 217	$ 320	$ 526	$ 777	$ 1,122	$ 1,594	$ 827
	Average final average pay	$ 1,848	$ 1,771	$ 1,803	$ 1,932	$ 2,172	$ 2,509	$ 2,864	$ 2,230
	Number of retirees	34	714	1,030	1,103	1,042	1,194	1,318	6,435

General Employees in the MSEP

Members Retiring During:		Years Credited Service by Category <5	5-10	10-15	15-20	20-25	25-30	30+	All Members
1994	Average monthly benefit	$ 193	$ 167	$ 267	$ 469	$ 719	$ 1,026	$ 1,468	$ 696
	Average final average pay	$ 2,655	$ 1,653	$ 1,613	$ 1,740	$ 2,037	$ 2,334	$ 2,577	$ 2,000
	Number of retirees	6	96	145	173	135	131	141	827
1995	Average monthly benefit	$ 72	$ 172	$ 296	$ 479	$ 715	$ 1,030	$ 1,394	$ 762
	Average final average pay	$ 889	$ 1,630	$ 1,727	$ 1,760	$ 2,008	$ 2,324	$ 2,519	$ 2,052
	Number of retirees	3	110	153	187	179	190	236	1,058
1996	Average monthly benefit	$ 104	$ 174	$ 290	$ 477	$ 763	$ 1,127	$ 1,512	$ 792
	Average final average pay	$ 1,540	$ 1,678	$ 1,744	$ 1,793	$ 2,148	$ 2,504	$ 2,718	$ 2,154
	Number of retirees	6	114	148	168	177	206	192	1,011
1997	Average monthly benefit	$ 121	$ 235	$ 280	$ 525	$ 758	$ 1,138	$ 1,653	$ 849
	Average final average pay	$ 1,943	$ 1,965	$ 1,617	$ 1,954	$ 2,149	$ 2,572	$ 2,988	$ 2,270
	Number of retirees	5	99	170	167	160	207	212	1,020
1998	Average monthly benefit	$ 134	$ 208	$ 346	$ 537	$ 813	$ 1,174	$ 1,605	$ 855
	Average final average pay	$ 1,919	$ 1,858	$ 1,970	$ 1,990	$ 2,279	$ 2,620	$ 2,913	$ 2,329
	Number of retirees	9	132	193	194	190	201	261	1,180
1999	Average monthly benefit	$ 113	$ 222	$ 342	$ 597	$ 841	$ 1,157	$ 1,815	$ 927
	Average final average pay	$ 1,599	$ 1,999	$ 2,001	$ 2,265	$ 2,356	$ 2,601	$ 3,282	$ 2,492
	Number of retirees	5	126	205	202	196	250	269	1,253
Six Years Ended June 30, 1999									
	Average monthly benefit	$ 128	$ 197	$ 307	$ 516	$ 772	$ 1,116	$ 1,589	$ 822
	Average final average pay	$ 1,848	$ 1,804	$ 1,796	$ 1,926	$ 2,173	$ 2,508	$ 2,865	$ 2,235
	Number of retirees	34	677	1,014	1,091	1,037	1,185	1,311	6,349

Average Monthly Benefit Amounts
Six Years Ended June 30, 1999

Uniformed Water Patrol in the MSEP

Members Retiring During:		<5	5-10	10-15	15-20	20-25	25-30	30+	All Members
		Years Credited Service by Category							
1994	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,515	$ 0	$ 1,515
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,443	$ 0	$ 2,443
	Number of retirees	0	0	0	0	0	1	0	1
1995	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,973	$ 0	$ 1,973
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,189	$ 0	$ 3,189
	Number of retirees	0	0	0	0	0	1	0	1
1996	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,638	$ 1,733	$ 1,686
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,843	$ 2,620	$ 2,732
	Number of retirees	0	0	0	0	0	1	1	2
1997	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,976	$ 2,168	$ 2,072
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,327	$ 3,088	$ 3,208
	Number of retirees	0	0	0	0	0	1	1	2
1998	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,782	$ 0	$ 1,782
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,001	$ 0	$ 3,001
	Number of retirees	0	0	0	0	0	1	$ 0	1
1999	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,567	$ 2,567
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,767	$ 3,767
	Number of retirees	0	0	0	0	0	0	1	1
Six Years Ended June 30, 1999									
	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,777	$ 2,156	$ 1,919
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,961	$ 3,158	$ 3,035
	Number of retirees	0	0	0	0	0	5	3	8

Legislators in the MSEP

Members Retiring During:		<5	5-10	10-15	15-20	20-25	25-30	30+	All Members
		Years Credited Service by Category							
1994	Average monthly benefit	$ 0	$ 750	$ 975	$ 1,350	$ 1,800	$ 0	$ 0	$ 1,170
	Average final average pay	$ 0	$ 700	$ 1,509	$ 1,250	$ 1,250	$ 0	$ 0	$ 1,244
	Number of retirees	0	1	2	1	1	0	0	5
1995	Average monthly benefit	$ 0	$ 560	$ 878	$ 1,350	$ 1,650	$ 0	$ 0	$ 733
	Average final average pay	$ 0	$ 1,080	$ 1,102	$ 2,026	$ 2,026	$ 0	$ 0	$ 1,218
	Number of retirees	0	15	3	2	1	0	0	21
1996	Average monthly benefit	$ 0	$ 570	$ 1,050	$ 1,500	$ 0	$ 2,100	$ 2,850	$ 1,140
	Average final average pay	$ 0	$ 1,030	$ 2,640	$ 2,026	$ 0	$ 1,905	$ 2,315	$ 1,668
	Number of retirees	0	5	2	1	0	1	1	10
1997	Average monthly benefit	$ 0	$ 650	$ 1,050	$ 1,400	$ 1,800	$ 2,250	$ 2,550	$ 1,262
	Average final average pay	$ 0	$ 1,725	$ 2,234	$ 2,165	$ 2,124	$ 2,234	$ 2,234	$ 2,023
	Number of retirees	0	6	3	3	3	1	1	17
1998	Average monthly benefit	$ 0	$ 590	$ 950	$ 1,350	$ 0	$ 0	$ 2,700	$ 983
	Average final average pay	$ 0	$ 935	$ 1,613	$ 1,992	$ 0	$ 0	$ 2,298	$ 1,394
	Number of retirees	0	6	3	2	0	0	1	12
1999	Average monthly benefit	$ 0	$ 600	$ 900	$ 1,200	$ 0	$ 2,100	$ 3,150	$ 1,268
	Average final average pay	$ 0	$ 1,251	$ 2,423	$ 1,965	$ 0	$ 2,423	$ 2,423	$ 1,914
	Number of retirees	0	4	2	2	0	2	1	11
Six Years Ended June 30, 1999									
	Average monthly benefit	$ 0	$ 590	$ 966	$ 1,350	$ 1,770	$ 2,138	$ 2,813	$ 1,050
	Average final average pay	$ 0	$ 1,163	$ 1,866	$ 1,976	$ 1,930	$ 2,246	$ 2,318	$ 1,588
	Number of retirees	0	37	15	11	5	4	4	76

Average Monthly Benefit Amounts
Six Years Ended June 30, 1999

Elected State Officials in the MSEP

Members Retiring During:		Years Credited Service by Category <5	5-10	10-15	15-20	20-25	25-30	30+	All Members
1994	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
1995	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
1996	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
1997	Average monthly benefit	$ 0	$ 0	$ 0	$ 2,903	$ 0	$ 0	$ 0	$ 2,903
	Average final average pay	$ 0	$ 0	$ 0	$ 7,539	$ 0	$ 0	$ 0	$ 7,539
	Number of retirees	0	0	0	1	0	0	0	1
1998	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
1999	Average monthly benefit	$ 0	$ 0	$ 3,770	$ 0	$ 0	$ 0	$ 0	$ 3,770
	Average final average pay	$ 0	$ 0	$ 7,540	$ 0	$ 0	$ 0	$ 0	$ 7,540
	Number of retirees	0	0	1	0	0	0	0	1
Six Years Ended June 30, 1999									
	Average monthly benefit	$ 0	$ 0	$ 3,770	$ 2,903	$ 0	$ 0	$ 0	$ 3,337
	Average final average pay	$ 0	$ 0	$ 7,540	$ 7,539	$ 0	$ 0	$ 0	$ 7,540
	Number of retirees	0	0	1	1	0	0	0	2

Administrative Law Judges' and Legal Advisors' Plan

		Years Credited Service by Category							
Members Retiring During:		**<5**	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**	**All Members**
1994	Average monthly benefit	$ 0	$ 1,284	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,284
	Average final average pay	$ 0	$ 5,777	$ 0	$ 0	$ 0	$ 0	$ 0	$ 5,777
	Number of retirees	0	1	0	0	0	0	0	1
1995	Average monthly benefit	$ 0	$ 0	$ 0	$ 2,950	$ 0	$ 0	$ 0	$ 2,950
	Average final average pay	$ 0	$ 0	$ 0	$ 5,901	$ 0	$ 0	$ 0	$ 5,901
	Number of retirees	0	0	0	1	0	0	0	1
1996	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
1997	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 2,578	$ 0	$ 0	$ 2,578
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 5,156	$ 0	$ 0	$ 5,156
	Number of retirees	0	0	0	0	1	0	0	1
1998	Average monthly benefit	$ 0	$ 0	$ 2,927	$ 0	$ 2,875	$ 0	$ 0	$ 2,892
	Average final average pay	$ 0	$ 0	$ 5,854	$ 0	$ 5,749	$ 0	$ 0	$ 5,784
	Number of retirees	0	0	1	0	2	0	0	3
1999	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average pay	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
Six Years Ended June 30, 1999									
	Average monthly benefit	$ 0	$ 1,284	$ 2,927	$ 2,950	$ 2,776	$ 0	$ 0	$ 2,582
	Average final average pay	$ 0	$ 5,777	$ 5,854	$ 5,901	$ 5,551	$ 0	$ 0	$ 5,698
	Number of retirees	0	1	1	1	3	0	0	6

Average Monthly Benefit Amounts
Six Years Ended June 30, 1999

Judicial Plan

Members Retiring During:		<5	5-10	10-15	15-20	20-25	25-30	30+	All Members
		Years Credited Service by Category							
1994	Average monthly benefit	$ 0	$ 1,282	$ 2,980	$ 2,950	$ 0	$ 3,481	$ 0	$ 2,899
	Average final average pay	$ 0	$ 5,129	$ 6,204	$ 5,901	$ 0	$ 6,963	$ 0	$ 6,220
	Number of retirees	0	1	5	1	0	2	0	9
1995	Average monthly benefit	$ 262	$ 0	$ 3,303	$ 3,282	$ 3,486	$ 3,252	$ 3,375	$ 3,222
	Average final average pay	$ 5,809	$ 0	$ 6,641	$ 6,564	$ 6,972	$ 6,504	$ 6,750	$ 6,641
	Number of retirees	1	0	6	10	4	2	5	28
1996	Average monthly benefit	$ 0	$ 0	$ 3,006	$ 3,471	$ 3,881	$ 0	$ 0	$ 3,348
	Average final average pay	$ 0	$ 0	$ 6,176	$ 6,942	$ 7,762	$ 0	$ 0	$ 6,757
	Number of retirees	0	0	3	4	1	0	$ 0	8
1997	Average monthly benefit	$ 1,120	$ 0	$ 0	$ 3,490	$ 0	$ 0	$ 3,359	$ 2,990
	Average final average pay	$ 6,719	$ 0	$ 0	$ 6,979	$ 0	$ 0	$ 6,719	$ 6,875
	Number of retirees	1	0	0	3	0	0	1	5
1998	Average monthly benefit	$ 243	$ 1,567	$ 3,689	$ 3,484	$ 3,624	$ 3,999	$ 4,077	$ 3,459
	Average final average pay	$ 5,824	$ 5,129	$ 7,378	$ 6,969	$ 7,247	$ 7,999	$ 8,154	$ 7,268
	Number of retirees	1	1	2	4	7	4	2	21
1999	Average monthly benefit	$ 289	$ 2,099	$ 3,647	$ 3,759	$ 3,635	$ 4,450	$ 4,123	$ 3,247
	Average final average pay	$ 6,598	$ 7,108	$ 7,409	$ 7,517	$ 7,270	$ 8,900	$ 8,246	$ 7,432
	Number of retirees	2	3	7	8	1	1	1	23
Six Years Ended June 30, 1999									
	Average monthly benefit	$ 441	$ 1,829	$ 3,332	$ 3,471	$ 3,602	$ 3,768	$ 3,612	$ 3,249
	Average final average pay	$ 6,309	$ 6,316	$ 6,783	$ 6,942	$ 7,204	$ 7,537	$ 7,225	$ 6,956
	Number of retirees	5	5	23	30	13	9	9	94

Missouri State Employees' Plan

Retirees and Beneficiaries as of June 30, 1999
Tabulated by Year of Retirement

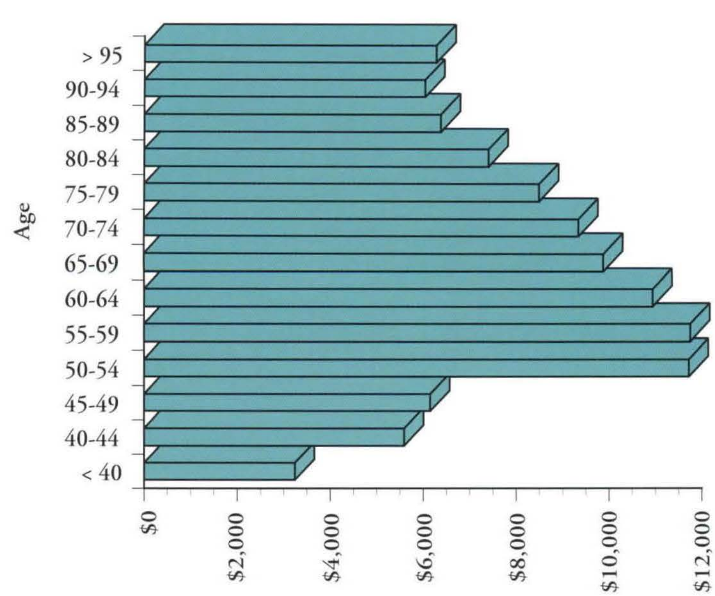
Fiscal Year of Retirement	Number	Total Annual Benefits	Average Monthly Benefit
1964 & Prior	7	$ 38,760	$ 461
1965	5	26,508	442
1966	8	30,888	322
1967	11	64,128	486
1968	14	67,464	402
1969	23	127,032	460
1970	30	204,312	568
1971	44	231,240	438
1972	52	316,884	508
1973	132	828,000	523
1974	122	710,616	485
1975	188	1,110,744	492
1976	208	1,276,488	511
1977	257	1,649,508	535
1978	219	1,241,940	473
1979	213	1,375,536	538
1980	267	1,754,976	548
1981	307	2,115,360	574
1982	437	3,088,668	589
1983	448	3,352,764	624
1984	453	3,034,716	558
1985	450	3,596,472	666
1986	547	3,766,752	574
1987	620	4,975,944	669
1988	679	6,421,176	788
1989	722	7,098,108	819
1990	697	7,020,696	839
1991	812	8,821,464	905
1992	882	9,212,112	870
1993	981	10,099,164	858
1994	975	9,524,964	814
1995	1,214	12,547,044	861
1996	1,164	11,942,184	855
1997	1,183	12,628,248	890
1998	1,394	14,146,212	846
1999	1,499	15,632,010	869
	17,264	$ 160,079,082	$ 773

Total Benefits Payable June 30, 1999
Tabulated by Attained Ages of Benefit Recipients

	Service Retirement		Disability Retirement		Survivors and Beneficiaries		Totals	
Attained Age	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
Under 20					59	$ 126,125	59	$ 126,125
20-24					11	42,504	11	42,504
25-29					3	17,088	3	17,088
30-34					14	78,763	14	78,763
35-39					21	85,885	21	85,885
40-44			1	$ 1,608	48	272,569	49	274,177
45-49			7	34,406	92	575,185	99	609,591
50-54	276	$ 4,058,503	10	33,240	126	739,768	412	4,831,511
55-59	940	11,853,755	17	64,728	166	1,284,800	1,123	13,203,283
60-64	2,153	24,658,594	25	110,621	225	1,537,686	2,403	26,306,901
65-69	3,579	36,229,106			246	1,581,116	3,825	37,810,222
70-74	3,229	31,095,995			272	1,625,020	3,501	32,721,015
75-79	2,392	20,909,683			223	1,298,544	2,615	22,208,227
80-84	1,576	11,916,545			159	932,572	1,735	12,849,117
85-89	793	5,185,345			77	361,800	870	5,547,145
90-94	281	1,734,701			19	76,065	300	1,810,766
95	24	180,061			1	600	25	180,661
96	18	109,495			2	3,984	20	113,479
97	13	97,002			1	3,024	14	100,026
98	8	47,979			1	1,188	9	49,167
99	6	28,608					6	28,608
100	1	4,584					1	4,584
104	1	3,456					1	3,456
107					1	3,144	1	3,144
Totals	15,290	$148,113,412	60	$244,603	1,767	$10,647,430	17,117	$159,005,445

Average age at retirement	62.5 years
Average age now	71.0 years

Average Annual Benefits



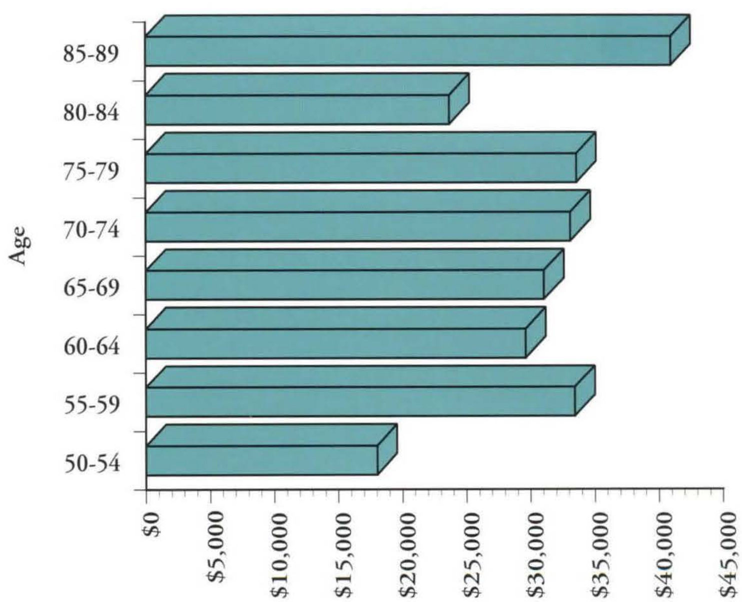
Administrative Law Judges' and Legal Advisors' Plan

Total Benefits Payable June 30, 1999
Tabulated by Attained Ages of Benefit Recipients

	Service Retirement		Disability Retirement		Survivors and Beneficiaries		Totals	
Attained Age	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
50-54					1	$ 18,012	1	$ 18,012
55-59	1	$ 33,456					1	33,456
60-64	1	41,796			1	17,448	2	59,244
65-69	2	72,022			1	21,084	3	93,106
70-74	7	260,226			1	4,692	8	264,918
75-79	4	164,700			2	36,720	6	201,420
80-84	1	26,964			1	20,448	2	47,412
85-89	1	41,412					1	41,412
Totals	17	$ 640,576	0	$ 0	7	$ 118,404	24	$ 758,980

Average age at retirement	63.1 years
Average age now	72.7 years

Average Annual Benefits



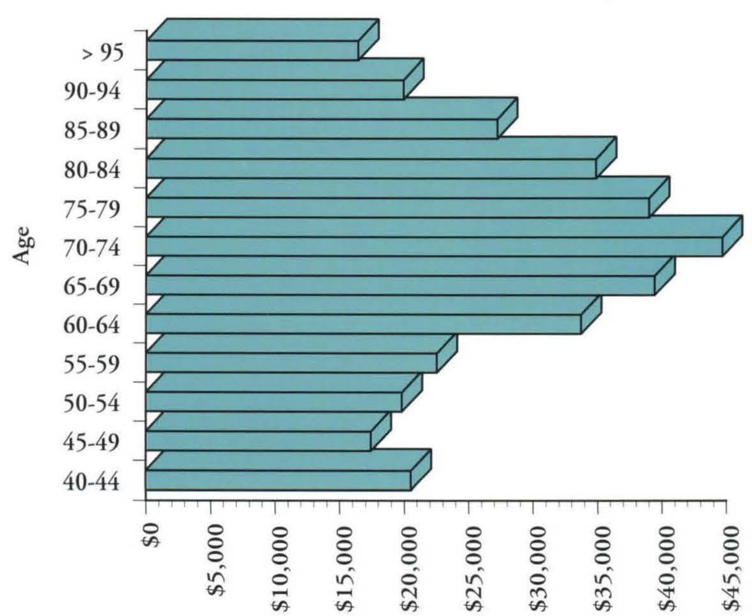
Judicial Plan

Total Benefits Payable June 30, 1999
Tabulated by Attained Ages of Benefit Recipients

	Service Retirement		Disability Retirement		Survivors and Beneficiaries		Totals	
Attained Age	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
40-44					1	$20,532	1	$20,532
45-49					3	52,308	3	52,308
50-54					8	158,738	8	158,738
55-59					7	157,721	7	157,721
60-64	23	$851,257			5	92,652	28	943,909
65-69	43	1,925,680			10	162,408	53	2,088,088
70-74	59	2,979,443			14	279,444	73	3,258,887
75-79	56	2,599,687			19	322,668	75	2,922,355
80-84	28	1,309,806			19	327,636	47	1,637,442
85-89	16	727,057			19	223,792	35	950,849
90-94	5	222,804			13	135,092	18	357,896
95 and over	2	67,632			4	30,684	6	98,316
Totals	232	$10,683,366	0	$0	122	$1,963,675	354	$12,647,041

Average age at retirement	62.3 years
Average age now	75.3 years

Average Annual Benefits



Internal Service Fund
Ten-Year Historical Data

Revenues by Source

Fiscal Year	Employer Contributions*	Member Contributions*	Investment Income*	Optional Life Premium Receipts	Basic Life Premium Receipts	LTD Premium Receipts	HMO Premium Receipts*	Premium Retention for Operating Expenses*	Miscellaneous Income	Settlements Net of Legal Expense	Total
1990	$ 46,378,087	$ 15,658,445	$ 1,927,530	$ 3,968,140	$ 2,164,340	$ 5,369,083	$ 16,109,220	$ 347,313	$ 742	$ 0	$ 91,922,900
1991	48,641,390	16,954,753	2,191,155	4,305,953	2,243,495	4,966,782	14,598,356	357,329	(2,893)	0	94,256,320
1992	51,919,719	18,802,967	2,114,338	4,412,743	2,268,739	4,938,383	12,663,887	347,710	542	0	97,469,028
1993	62,080,566	21,380,567	693,202	4,551,873	2,365,344	5,003,490	16,429,142	365,106	1,340	0	112,870,630
1994	37,918,127	11,513,810	384,795	4,862,255	2,520,938	5,265,812	8,308,277	355,642	3,534	0	71,133,190
1995	0	0	79,215	5,535,334	2,801,939	5,650,682	0	275,646	0	205,411	14,548,227
1996	0	0	81,687	5,924,096	2,037,618	6,148,535	0	396,889	0	0	14,588,825
1997	0	0	50,608	6,319,662	3,224,533	6,711,653	0	379,683	1	0	16,686,140
1998	0	0	58,889	7,116,370	3,656,443	5,947,386	0	423,378	41	0	17,202,507
1999	0	0	55,323	8,216,777	3,556,088	7,169,727	0	413,519	31,098	0	19,442,532

* The Missouri State Employees' Medical Care Plan operations were transferred to the Missouri Consolidated Health Care Plan January 1, 1994.

Internal Service Fund
Ten-Year Historical Data

Expenses by Type

Fiscal Year	Medical Claims*	Administrative*	Optional Life Premium Disbursements	Basic Life Premium Disbursements	LTD Premium Disbursements	HMO Premium Disbursements	Premium Refunds*	Basic Life Death Benefits	Total
1990	$ 49,407,467	$ 4,933,409	$ 3,940,775	$ 2,163,524	$ 5,366,952	$ 16,040,850	$ 225,735	$ 6,000	$ 82,084,712
1991	67,969,018	5,814,424	4,269,303	2,242,193	5,915,818	14,537,336	212,825	2,000	100,962,917
1992	83,674,959	5,291,117	4,375,115	2,267,723	5,136,992	12,609,838	227,967	0	113,583,711
1993	83,281,386	6,055,713	4,514,821	2,365,344	5,002,115	16,386,136	267,792	0	117,873,307
1994	23,005,156	3,336,388	4,825,723	2,519,343	5,264,677	8,284,843	152,961	0	47,389,091
1995	0	349,835	5,482,421	2,799,469	5,648,930	0	57,161	5,000	14,342,816
1996	0	330,702	5,874,317	3,023,323	6,146,610	0	53,652	0	15,428,604
1997	0	363,276	6,269,758	3,222,327	6,708,212	0	55,550	0	16,619,123
1998	0	470,791	7,053,924	3,654,416	5,945,374	0	66,485	0	17,190,990
1999	0	622,545	8,154,983	3,555,101	7,167,330	0	65,177	5,000	19,570,136

* The Missouri State Employees' Medical Care Plan operations were transferred to the Missouri Consolidated Health Care Plan January 1, 1994.

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